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Comparison of the Corporate Income Tax in Selected Countries

Komparace korporátní důchodové daně ve vybraných zemích

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The declaration

"Herewith I declare that I elaborated the entire thesis, including all annexes independently."

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Content

1 Introduction

Corporate income tax plays an important role in increasing fiscal revenue, promoting social and economic development, and implementing macro-control. Corporate income tax is an important part of national fiscal revenue. While increasing fiscal revenue for the state, corporate income tax, as an important means of national macro-control, has also promoted the adjustment of the national industrial structure and the sound and rapid development of the economy. In addition, corporate taxation will also affect the amount of savings and entrepreneurs' choice of direct investment in the country, which will create more opportunities for economic growth and create new jobs.

The aim of this thesis is to describe and compare the corporate income tax in selected countries and regions, namely Hong Kong, Taiwan, Korea, Singapore, China and India, with respect to the current legislation of these jurisdictions. The difference in the tax effect of a company's final tax burden on a particular entity is used to illustrate the differences in each tax system.

This thesis is divided into five chapters. The first chapter is introduction and the last chapter is conclusion. The second chapter describes the basic aspects of taxation, including the characteristics, functions, classification, design elements of taxation, and a basic description of corporate income tax.

The third chapter focus on a description of corporate income tax legislation in the selected countries and regions, which describes the formation of the tax base, and highlights the various components of taxation in Hong Kong, Taiwan, South Korea, Singapore and China, and India.

The fourth chapter is the practical part of this thesis, focusing on comparing the specific aspects of corporate income tax between the jurisdictions studied. Each sub-chapter in this section is one tax element or a set of corporate tax elements. At the end of the fourth chapter, the tax base and consequently the tax liability of the model company are set out with the help of a practical example.

2 Basic Aspects of Taxes and Taxation

In this chapter we will introduce the basic concepts of taxation, the role of taxation in the national economy, the classification of taxes, and corporate income tax.

2.1 Basic Tax Characteristics

Taxation is a mandatory financial expense or some other type of tax imposed by a government organization on taxpayers. Taxation is the most important form of income and source of state (government) public finance. Taxation must also be perceived as a key determinant of economic growth (Jalata, 2014).

Generally speaking, taxes are mandatory, irreversible, and unequal. First, compulsory means that taxpayers with tax obligations must abide by the state's tax laws. Within the limits prescribed by the state tax law, taxpayers must pay taxes according to law, otherwise they will be punished by law. Second, irreversibility means that the tax paid by the taxpayer will not payback. Finally, unequal means that the amount of tax paid by a taxpayer is not the same as that obtained from the public services.

A good tax system should meet five basic conditions: fairness, adequacy, simplicity, transparency, and administrative ease.

Fairness means that everybody should pay a fair share of taxes. And there are two types of fairness: horizontal equity and vertical equity. Horizontal equity means that taxpayers in similar financial condition should pay similar amounts in taxes. Vertical equity means that taxpayers who are better off should pay at least the same proportion of income in taxes as those who are less well off. Vertical equity involves classifying taxes as regressive, proportional, or progressive.

Adequacy means that taxes must provide enough income to meet the demand of public services. Taxation should ensure that sufficient fiscal revenue is used to guarantee the realization of various government functions, but it does not mean that the more taxes, the better.

Simplicity means that taxpayers can avoid a maze of taxes, forms and filing requirements. A simpler tax system helps taxpayers better understand the system and reduce compliance costs.

Transparency means that taxpayers and leaders can easily find information about the tax system and the amount and whereabouts of tax used. Through a transparent tax system, we know who is taxing, how much they pay, and what they do with money.

Administrative ease means that the tax system of taxpayers or tax collectors is not too complicated or expensive. The goal is to minimize administrative costs of tax. The administrative costs of tax include both the costs of the government collecting for taxation and the costs of taxpayers paying for taxation.

2.2 The Functions of Taxes in the Economy

The tax function is the ability of taxation to meet the needs of the state. Boone and Bovenber (2013) came to a conclusion that the tax policy is the key factor influencing entrepreneurial activity within moving economic activity among self-employed people and employees. There are five main functions of taxation: fiscal, allocation, redistribution, stimulation, and stabilization.

The fiscal function is the most important and basic function. It is through finance that taxation plays a role in the formation of the national budget necessary to achieve national and overall national plans.

For the allocation function, any national government commands pretty substantial revenues, allocate and distribute the resources in a way that creates the greatest benefit for the economy, and the country, as a whole.

Through the redistribution function, the adjustment of income can be achieved. It includes the redistribution of social income among various groups of citizens: from the rich to the poor, and ultimately to the social stability of the people.

Through the stimulation function, government can influence the behavior of residents. If the government reduces taxes, residents will increase their investment and consumption. Conversely, residents will reduce their investment and consumption.

Stabilization function helps to eliminate cyclical fluctuations that lead to full employment, price stability and economic growth.

Tax burden is the effect of a particular tax on the distribution of economic welfare. A country or state's tax burden as a percentage of GDP is the ratio of tax collection against the national GDP (Julia Kagan, 2005).

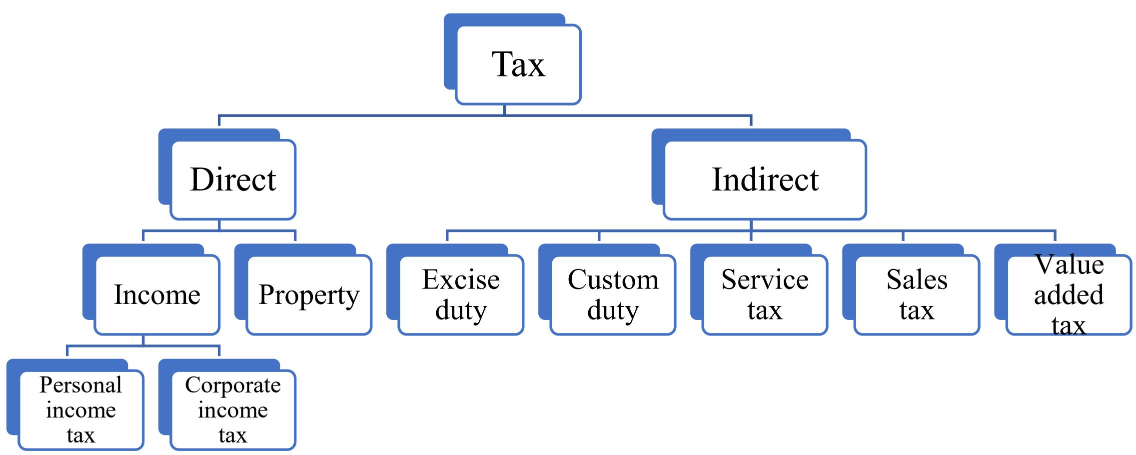
And the tax quota is the most often used to measure tax burden. It shows how big of a proportion does not remain to those who had part in creating the tax income, and it is divided by public funds according to taxation principles (James, Nobes, 2014, 46). And the formula of tax quota is:

$$Tax\ Quota = \frac{Tax\ Income}{GDP} \cdot 100 = \frac{Tax\ Revenues}{GDP} \cdot 100 \qquad (2.1)$$

2.3 Classifications of Tax

There is a great deal of tax classification. According to the different of link to income of taxpayer, taxes can be divided into direct taxes and indirect taxes. Taxes can be divided by different subjects (individual person, household, married couple, all members of a household, firm), and objects (income, consumption, property, head).

Fig. 2.1 The classification of tax



Source: Own processing

2.3.1 Classification of Tax by Link to Income of Taxpayer

According to the different of link to income of taxpayer, taxes can be divided into direct taxes and indirect taxes.

For the direct tax, taxpayer (payer of tax) pays these taxes from the amount of income. This type of taxes is inevitable tax, it cannot be transferred to another entity. Taxpayer or payer of tax calculates this tax and transfers to the public or municipal budget. For example, income tax and property tax are direct taxes.

For the indirect tax, it is a part of price of services or products. Tax is transferred to other subject thanks to price increasing. And taxes without respect of income situation of economic subject, everyone pay the same taxes. The payer of tax, like producers and sellers calculate the taxes and pay amount which is equal to computed tax to tax office. The actual tax is paid by taxpayer. For example, VAT (value-added tax) and sales tax are indirect taxes.

2.3.2 Classification of Tax by Tax Subject

Taxes can be divided by different subjects (individual person, household, married couple, all members of a household, firm).

Individual person - who is defined by a name, permanent residence or a particular unique feature.

Household - where the household tax is paid as a whole, it is paid by the designated head of family.

Married couple - in this way the total tax liability can be reduced, which means that the total income of the spouses is divided by two.

All members of a household - individual members of the household are allocated coefficients or the manner in which the income of all members of the household is summarized and divided by the number of persons of the household or persons in employment.

Firm - is an artificially created legal entity that acts as a single organization and is characterized by a name, legal form, is incorporated in the Commercial Register, and is assigned an identification number.

2.3.3 Classification of Tax by Tax Object

Taxes can be divided by different objects (income, consumption, property, head).

Income tax - is a tax imposed on individuals or entities (taxpayers) that varies with respective income or profits (taxable income).

Consumption tax - A consumption tax is a tax levied on consumption spending on goods and services. The tax base is the money spent on consumption.

Property tax - is an ad valorem tax on the value of a property, usually levied on real estate. The tax is levied by the governing authority of the jurisdiction in which the property is located.

Head – also called poll tax, is a tax levied as a fixed sum on every liable individual.

2.4 Tax Design Elements

The tax law is a legal norm formulated by the state to adjust the rights and obligations of the state and taxpayers in taxation. The purpose is to protect the national interest and the legitimate rights of taxpayers and ensure the state's fiscal revenue.

Tax laws generally consist of several elements, like tax subject, tax object, tax base, tax rate and so on.

2.4.1 Tax Subject

A tax subject refers to a person or organization that is obligated to pay taxes according to law. It divided into taxpayer and payer of tax. The term taxpayer generally describes one who pays taxes. A taxpayer is an individual or entity that is obligated to pay a municipal or government tax agency.

Taxpayers can be classified into two major groups - individual and corporation. A corporation is a legal entity that is separate from the owners for tax purposes. Individual taxpayers can be divided into residents or non-residents. A non-resident is a person who lives within the borders of a country and is not a national of that country.

The payer of tax is an institution which pay the tax to the tax office. For example, the shop pays the consumption tax to the tax office, but the money of tax is from the consumers, it means that the taxpayer is consumer.

2.4.2 Tax Object

The taxation object is the object which according to the law, is being taxed. Taxation objects can be classified into income tax, consumption tax, poll tax, and property tax.

An income tax is a tax imposed on individuals or entities that varies with respective income or profits. It is obtained by multiplying the income of the individual or the profit of the company by the tax rate. But it may lead to double taxation.

The consumption tax is a taxation of consumption from consumers (individuals or companies). A consumption tax is imposed on sellers in transactions concerning sales of commodities and services. It means that the consumption tax is the part of selling prices of products and services.

Poll tax is a tax levied as a fixed sum on every liable individual. It means everyone need to pay the same amount of tax. Poll tax was important sources of revenue for many governments from ancient times until the 19th century. But nowadays this tax is usually very unpopular.

A property tax is an ad valorem tax on the value of a property, usually levied on real estate.

2.4.3 Tax Exemption

Tax exemption is a currency exemption that reduces taxable income. Tax exempt status can be completely exempt from taxation, lower tax rates or only tax on a portion of items. Tax exemption also refers to removal from taxation of a particular item rather than a deduction. The tax exemption is not part of any tax calculations.

The report of the tax exemption project may be the taxpayer's individual or business tax return.

Tax exemption can also refer to the state of the business or organization, which has a limited on the amount of income or gifts which are taxable. These organizations include religions and charities.

2.4.4 Tax Base

The tax base is the basis for calculating the taxable amount. The tax base for different types of taxes is different.

Taxes determined without reference to the size of the tax base, e.g. head tax.

The tax base is expressed in monetary units, like ad valorem tax.

The tax base is based on the quantity, area or weight of the taxable object. The tax base for taxation of rice wine in China is the sales tonnage.

2.4.5 Tax Rate

The tax rate is the ratio, usually expressed as a percentage, at which an individual or corporation is taxed. Tax rate can be divided into proportional tax, progressive tax, and regressive tax. According to James, Nobes (2003) direct taxes can influence savings of economic subjects, it is usually evident that subjects wither disposable income have higher propensity to saving. And Progressive tax rate can therefore lead to reduction of income in society.

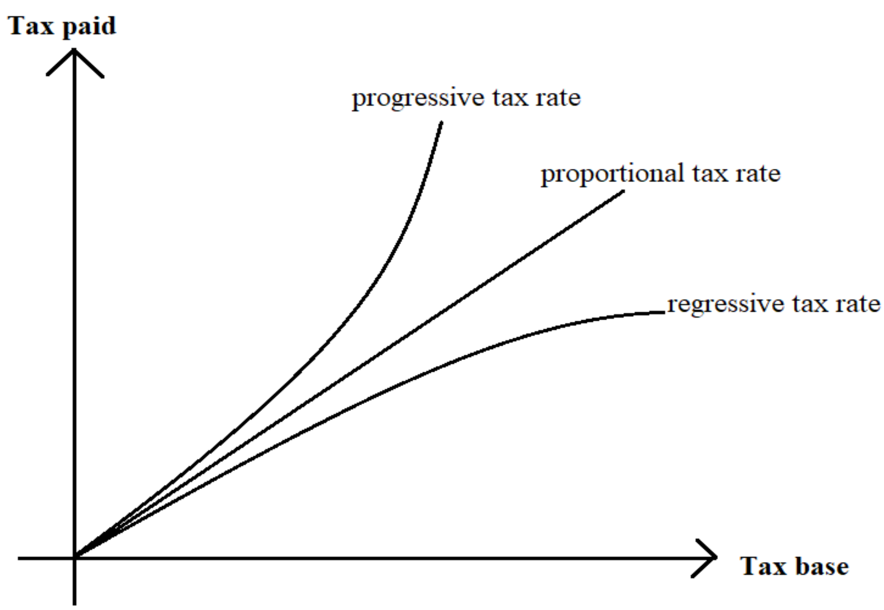
For proportional tax, everyone pays the same proportion of different tax base. The tax rate does not change with people's income. For example, the VAT is a proportional tax. For the people with different incomes, the VAT paid for the same item is the same, the same proportion of the price.

For progressive tax, higher income individuals pay a higher proportion of tax with a rise in income. That means it takes a larger percentage from high-income earners than it does from low-income individuals. The reason is that people with lower incomes usually use more income to maintain their standard of living. So, for low-income individuals, they need lower tax rate. Most economies around the world use a progressive tax to assess taxes for individual income.

The progressive tax can be divided into sliding progressive tax, and stepwise progressive tax. For the sliding progressive tax, the part in the first level calculated at the lowest rate, the portion that exceeds the first level but does not exceed the second level, calculated at the second rate, and so on. For the stepwise progressive tax, the total income is in the first level, all calculated according to the minimum tax rate. The total income is in the second level, and the total income is calculated at the second level of tax rate, and so on.

A regressive tax is a tax which results in a decrease in the tax rate as the amount subject to taxation increases. Low-income individuals pay a higher amount of their incomes in taxes compared to high-income earners under a regressive tax. The Fig. 2.2 shows three types of tax rates.

Fig. 2.2 The Three Types of Tax Rates



Source: Own processing

There are four types of tax rate: nominal tax rate, average tax rate, marginal tax rate, and effective tax rate.

A nominal tax rate also called statutory tax rate, is the legally imposed rate. For income tax, there may be more than one nominal tax rate.

An average tax rate is a ratio of the total amount of tax paid to the total amount of tax base. In a proportional tax, the tax rate is fixed. For example, buy a certain kind of goods, no matter how many goods you buy, the average value added tax rate is equal to the nominal value added tax rate.

A marginal tax rate is the tax rate incurred on each additional unit currency of income. For proportional tax, the marginal tax rate is the same number. For the progressive tax, the marginal tax rate for an individual will increase as income rises. It means that the low-income earners being taxed at a lower rate than higher income earners. For regressive tax, the marginal tax rate for an individual will decrease as income rises. It means that the low-income earners being taxed at a higher rate than higher income earners.

An effective tax rate is the average tax rate paid by a corporation or an individual. The effective tax rate for individuals is the average rate at which their earned income, such as wages, and unearned income, such as stock dividends, are taxed. The effective tax rate for a corporation is the average rate at which its pre-tax profits are taxed.

2.4.6 Tax Deductions

Tax deduction refers to the reduction in income that can be taxed, usually as a result of expenses, especially the costs of generating additional income. A tax deduction is a deduction that lowers a tax subject's tax liability by lowering his taxable income.

The tax deductions can be divided into standard deduction and nonstandard deduction.

For standard deduction, the amount is already set and determined. So, standard deduction is often the easiest way to choose, because there is no need to make a calculation. And the standard deduction relates to all taxpayer. It is a basic zero-taxable amount, a basic tax discount, they can be limited. For example, if a wife does not create a corresponding income, the family can get a discount. The tax loss is the most important part of standard tax deductions. For example, the corporation had losses in two years age, in some countries this part can be deducted, and that means it can deduct from the company's tax base. And the corporation can have lower tax base.

The aim of nonstandard deduction is to support a desirable behavior of taxpayers. And for corporations, provide gifts to the public, donate to charity, loss from mortgage investing, expenses for education, and expenses for research and development, and so on can deducted the tax base.

2.5 Corporate Income Tax

Corporate income tax is a direct tax imposed by a jurisdiction on the income or capital of corporations or analogous legal entities. It is a in rem tax. And it is also an ad valorem tax (a tax whose amount is based on the value of a transaction or of property). The tax object is the earnings (profits) of companies. Corporate income taxes consist of corporate taxes, business tax, corporate surtax, and so on. Such taxes are usually assessed on the total incomes of corporations from all sources and not simply profits generated by production (SNU, 2008).

2.5.1 Advantages and Disadvantages of Corporate Income Tax

The advantages of corporate income tax are shown following.

CIT is considered as good addition taxation to PIT (personal income tax). Sometimes the part of total incomes should be taxed with PIT but not taxed. And this part can be taxed with CIT. Relying solely on personal tax revenue will delay the taxpayer’s liability. The shareholders would like to reinvestment of corporate profits rather than get the dividends. It means that the tax base of PIT is zero.

If a company is owned by foreign shareholders, earnings and consequently revenues of PIT will be transferred to a foreign country. And it is not a good thing to domestic country. So, we need CIT to increase the tax revenues for domestic country. And CIT is a way how companies pay for use of a public services.

CIT compensates limitations of company´s responsibility for its debts. The companies are responsible only up a value of a subscribed capital.

CIT can support desirable activities for example research and development, environmental activities, regions, industries, small firms etc. CIT is kind like an automatic stabilizer. In “good times”, for example, stable economic development, social stability, etc. CIT creates a higher government´s tax revenues.

A progression of CIT is not necessary (only Switzerland, Bulgaria, Romania). It means that is easy to calculate the CIT. and one tax rate decreases a possibility of tax evasions.

And there also exist some disadvantages of corporate income tax, and the main disadvantages are listed in the following paragraphs.

The corporate profit is not a special kind of income. So, there is not a reason to use CIT. And because of all corporations' profits will become personal incomes, so, there is a risk of economy double taxation.

CIT weakens a fair effect of PIT. Because income (share of profit) available to equity holders are distributed them only after a payment of CIT. And if the shareholders decide to reinvest the dividends, they will not pay the PIT. Finally, it means that there will not be any personal income.

The principle of payment ability does not exist. The principle of payment ability is means that the taxes should be levied according to the taxpayer's ability to pay. In short, the higher income taxpayers should pay more taxes than the lower income taxpayers. It is very difficult to measure of a real profit. CIT can be transferred forward (to prices of goods and services) and backward (to employees), consequently there is a larger impact on poor people.

It is difficult to define a taxable profit.

2.5.2 Definition of Taxable Income and Calculation of Tax Liability

Taxable income refers to the base upon which an income tax system imposes tax. Generally, it includes some or all items of income and is reduced by expenses and other deductions.

The taxable income may differ to the accounting profits. The accounting profits equal to revenues minus costs and expenses. And the accounting profits need to be adjusted. And the main causes which create differences between accounting profits and taxable profits are different tax-deductible expenses, various items reducing the tax base and different types of tax credit and the final tax amount, and different ways of determining of tax depreciation.

And the main reasons of difference between accounting profits and taxable profits are different tax-deductible expenses. And the tax-deductible expenses including the payment of fine, expense for business trips, spending on working conditions of employees, the method of inventory valuation, the possibility of deducting interests of debts, investment activities, and so on. The second reason is the different ways of determining of tax depreciation. The third reason is various items reducing the tax base and the find of tax credit.

The possibility to reduce the adjusted tax base are corporation with the tax loss of previous period (tax loss carry forward, carry back), with the expenditure on research and development, with the gift (donations) for specific purpose (the possibility to reduce calculated tax liability), with the tax credit for the employment of handicap workers, with the tax credit thanks to accepted tax incentives for investors, and with the tax credit to support export policy

The way to calculate CIT is shown as following table.

Tab. 2.1 The way to calculate CIT

Accounting profit or accounting loss
+ Increasing of tax base
- Decreasing of tax base
= Tax base after adjustment
• Tax rate
= Tax liability
- Tax credit
+ Tax on a separate tax base
= Final tax liability

Source: Own processing

3 Description of Legislative Adjustment of Corporate Income Tax in the Selected Countries

In this chapter, we will describe more detail in the process of establishing a tax base in Hong Kong, Taiwan, Korea, Singapore, China and India. In this chapter we will also describe more detail about the structural elements of corporate income tax, and that information will be used at the next chapter for compare differences in corporate income tax in those countries and regions. And the data of PWC, Ernst Young and Deloitte has been used as information source of details of individual countries and regions.

3.1 Basic Information about Hong Kong

Hong Kong, referred to as HK, officially the Hong Kong Special Administrative Region of the People's Republic of China (HKSAR), and is a special administrative region on the eastern side of the Pearl River estuary in southern China. Hong Kong is divided into Hong Kong Island, Kowloon Peninsula and the New Territories, with a total of 18 areas. Chinese and English are both official languages of Hong Kong. And the official currency is Hong Kong dollar (HKD).

Hong Kong is a highly developed territory, ranking seventh on the UN Human Development Index. The city has the largest number of skyscrapers of any city in the world and its residents have some of the longest life expectancies in the world. Over 90% of its population uses public transportation.

Hong Kong has a capitalist mixed service economy, characterized by low taxation, minimal government market intervention, and an established international financial market. Hong Kong is the tenth-largest trading entity in exports and imports (2017), trading more goods in value than its gross domestic product. Over half of its cargo throughput consists of transshipments (goods travelling through Hong Kong). The territory's largest export markets are mainland China and the United States.

Tab. 3.1 Basic information about Hong Kong in 2018

Population	7.524 million	Area	1,073 km² -land, 35km²-water
Currency	HKD	Inflation	2.90%
Unemployment	2.90%	Tax revenues	43.51 billion US dollar
GDP	362.993 billion US dollar, 48,717.3 US dollar per capita		

Source: https://www.censtatd.gov.hk/home/index.jsp

3.1.1 Corporate Income Tax in Hong Kong

Companies carrying on a trade, profession or business in Hong Kong are subject to profits tax on profits arising in or derived from Hong Kong. However, certain royalties received by a foreign entity from a Hong Kong payer are subject to withholding tax in Hong Kong if they do not otherwise engage in trade, profession or business in Hong Kong.

The basis of taxation in Hong Kong is territorial. And corporate income tax in Hong Kong is called profits tax.

3.1.2 Taxpayer

The taxpayer includes the public and private limited liability company, partnership, sole proprietor and branch or representative office of a foreign corporation carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets).

3.1.3 Place of Residency

Since Hong Kong's tax system is territorially based, the tax is not levied on the domicile of the company. Therefore, there is no difference between residents and non-residents. As a result, residents may earn profits from abroad without paying taxes. Instead, non-residents may be taxed on profits generated in Hong Kong. The question of whether a business is carried on in Hong Kong and whether profits are derived from Hong Kong is largely one of fact, however some guidance on the principles applied can be found in cases which have been considered by the Hong Kong Courts and the Privy Council. Even if profits generated abroad are remitted to Hong Kong, they are not taxed.

3.1.4 Taxable Income

The assessment is based on accounts prepared on generally accepted accounting principles, subject to certain statutory tax adjustments. Corporations, partnerships, trustees and legal persons engaged in trade, profession or business in Hong Kong shall be taxed on profits derived from Hong Kong. However, excluding profits from the sale of capital assets. Foreign companies (including branches of foreign companies) that do business in Hong Kong and have Hong Kong-source income enjoy the same treatment as domestic companies.

Generally, interest income earned on deposits with financial institutions is exempt from profits tax. However, if the recipient of the interest is a financial institution, or if the deposit is used as security for the borrowing and the interest expense on the borrowing is required to be tax deducted, the allowance will not apply.

3.1.5 Determination of Income

Hong Kong operates a territorial basis of taxation. Broadly speaking, non-capital profits from business originating in Hong Kong originate in Hong Kong and are subject to Hong Kong profits tax. Based on regional taxation, income from foreign sources is not subject to Hong Kong profits tax.

For branch income, effective taxation of branches of foreign companies is the same as for companies incorporated in Hong Kong.

Hong Kong does not tax capital gains. Gains from the sale of capital assets are not subject to Hong Kong profits.

Dividends from Hong Kong companies that are generally exempt from profits tax. Dividends from overseas companies are generally considered to be from overseas and are not included in Hong Kong profits tax. Tax credits attached to the overseas dividends are not allowable on the basis that the dividend is not subject to tax.

Interest income is subject to Hong Kong profits tax only where it originated in Hong Kong. For certain types of taxpayers, especially financial institutions, there are specific rules in determining the source of Hong Kong interest income. Interest income from financial institutions is particularly tax-exempt in Hong Kong. If interest can be deducted from Hong Kong profits tax, the tax can be offset using the accompanying withholding tax credit (if interest is received from a jurisdiction that has a double tax treaty with Hong Kong). Or, if interest can be deducted from Hong Kong profits tax, the accompanying withholding tax credit can be used to deduct deductible taxes (if interest is collected from a jurisdiction that does not have a double tax treaty with Hong Kong).

3.1.6 Determination of Expenditure

As a general proposition, expenses incurred in the derivation of income that is chargeable to Hong Kong profits tax should be deductible for tax purposes. However, there are additional requirements for certain specific fees (e.g. interest expenses).

There are no minimum tax requirements to take advantage of tax losses.

And Hong Kong does not impose profits tax on capital gains, capital losses are not deductible for tax purposes.

The fiscal year's losses should be carried forward and offset against the future profits of the industry, but companies engaged in more than one transaction may offset the losses in one transaction with the profits of another transaction. For the profit and loss enjoying preferential tax rates, there are special provisions on the adjustment of losses between discounted trading activities and normal trading activities. Bad debts that have deteriorated during the base period can be deducted even if the debt may have matured and become payable within an earlier period. Deductions are allowed only when bad debts have been previously recognized as income. Special rules apply to financial institutions.

Hong Kong has relatively loose capital tax exemption rules, including real estate and real estate (excluding land).

For the industrial buildings, in the year in which the expenditure occurs, a new industrial building is given an initial allowance of 20%, and the annual depreciation allowance is 4% of the qualifying capital expenditure from the year the building was first put into use. The purchase of second-hand buildings does not grant an initial allowance, but an annual depreciation allowance is available. With certain exceptions, buildings used for qualifying trade are industrial buildings. A balance allowance or fee should be paid when disposing of the premises.

And for the commercial buildings, they receive an annual allowance (4% per year of qualifying capital expenditure). Buildings that do not meet industrial building standards are commercial buildings. Except for houses used as dwellings, the cost of refurbishing the house may be deducted in equal amounts within five years. A balance allowance or fee should be paid when disposing of the premises.

Subject to certain conditions being met, the company can immediately write off 100% of manufacturing plant and machinery expenses and computer software and hardware expenses. Provided that certain conditions are met, capital expenditures on eligible environmental protection devices, environmental protection machinery and environmentally friendly vehicles that form part of a building or structure are eligible for a 100% write-off in the year in which they occur.

In the year of purchase, the initial subsidy for non-manufacturing factories and machinery and office equipment was 60%. From the balance of expenditures starting from the year when the assets are first used for business, the annual allowance can be drawn at 10%, 20% or 30% of the annual balance using the declining-balance method. Items that meet the same annual allowance rate are classified as a "pool".

Tab. 3.2 Depreciation of profits tax in Hong Kong with rate of allowance

Initial allowance	Plant and machinery	60%
	Industrial buildings	20%
Annual allowance	Computers	30%
	Motor cars	30%
	Furniture and fixtures	20%
	Machines	10% to 30%
	Industrial buildings	4% or formula
	Commercial buildings	4% or formula

Source: 2019 Worldwide Corporate Tax Guide Hong Kong

But in Hong Kong, the depreciation of goodwill is non tax deductible expenses, this part is considered as capital in nature.

Some allowable head office administration costs are transferred to a local branch or subsidiary in Hong Kong for deductions for tax purposes in Hong Kong. When taxable profits are generated in the year of assessment (YA), the extent to which they occur during the base. The IRO (Inland Revenue Ordinance) has no specific general provisions on double deductions. However, in a broad sense, expenses can be deducted when profits are deductible from Hong Kong profits tax. On this basis, the general principle is that double deductions cannot be made.

In order for interest to be tax-exempt, it must satisfy the general test that arises when taxable profits are generated. That is, borrowed funds are used to fund assets or activities that generate taxable income.

For interest to be deductible, it must satisfy the general test of being incurred in the production of assessable profits. In addition, there are some relatively complex provisions that limit the available deduction where money is not borrowed from a financial institution or from a person who is taxable in Hong Kong on the interest received. Interest earned on the deposits of authorized institutions in Hong Kong will be tax exempt. This does not include interest received or accrued by financial institutions. However, in some cases, interest payments to offshore non-financial institutions are allowed.

Except for the valuation of companies that stopped trading stocks, the IRD did not specify a valuation method. However, according to the IRO guidelines, acceptable inventory valuation methods include adjusted selling prices, current selling prices less normal gross profit, net realizable value, and replacement costs.

Charitable donations to recognized charities or trusts of a public nature or the Government of the Hong Kong Special Administrative Region total amounting not less than HKD 100 but not exceeding 35% of the adjusted assessable profit before deduction of donations, which can be deducted when calculating assessable profits.

For the R&D expenses, the first HKD 2 million can be deducted by 300%, and the rest (without cap) can be deducted by 200%. R & D expenditures that do not meet the enhanced deductions are eligible for a normal 100% tax credit if certain conditions are met.

Revenue from irrevocable election reinsurance business conducted by professional reinsurance companies shall be taxed at a tax rate of 8.25%.

Deductions can be made if the employer's periodic/ordinary contributions to a mandatory provident fund scheme or a recognized occupational retirement scheme do not exceed 15% of the employee's total salary during the relevant period.

Fines and penalties are generally not deductible because the Hong Kong International Investment and Development Department does not consider fines and penalties to be expenses that generate taxable profits.

3.1.7 Tax Rate

The normal profits tax rates applicable to corporate and non-corporate entities are 16.5% and 15%, respectively. If the taxpayer complies with the two-tiered profits tax rate system, the profits tax rate for the first 2 million Hong Kong dollars of profits will be reduced by 50% to 8.25% or 7.5%. The remaining profits continue to be taxed at the normal profit tax rate of 16.5% or 15%.

Tab. 3.3 Profits tax rate in Hong Kong

	Nominal rate	Two-tiered rates
Corporations	16.50%	8.25% on assessable profits up to HKD 2,000,000
		16.5% on any part of assessable profits over HKD 2,000,000
Unincorporated Businesses	15%	7.5% on assessable profits up to HKD 2,000,000
		15% on any part of assessable profits over HKD 2,000,000

Source: 2019 Worldwide Corporate Tax Guide Hong Kong

There are other preferential prices in Hong Kong. Transaction profits and interest income earned or obtained from "short-term / medium-term debt instruments", profits of offshore business of professional reinsurers or authorized self-insurers, qualified profits of qualified corporate treasury centers, as well as qualified profits from a qualified aircraft lessor or qualified aircraft leasing manager, are only subject to 50% of the normal profit tax rate.

All taxpayers, regardless of residence status, are subject to the same corporate or unincorporated business tax rate.

3.1.8 Withholding Tax

There is no withholding tax on dividend distributions and interest payments from a Hong Kong entity.

3.1.9 Tax Payment and Tax Return

The fiscal year (or tax year) starts on April 1 of the year and ends on March 31 of the following year. The period used to calculate taxable profits for the YA is called the base period and is usually the fiscal year ending in the YA.

Tax returns are issued on the first working day of April each year. Starting from the YA 2018/19, there are ten supplementary forms for profits tax reporting, and taxpayers must submit supplementary forms that apply to them together with the issued tax return. The filing deadline is usually within one month from the date of the tax return. However, companies that usually end after November 30 and are represented by tax representatives can postpone the filing of returns. The exact filing deadline depends on the taxpayer's fiscal year end date. The basis of the assessment is the accounting profit for the financial year ending in the assessment year, with appropriate adjustments for tax purposes. After the tax bureau has reviewed the tax return, it will issue an assessment notice.

Taxes are usually paid in two instalments. The tax date is usually determined by the CIR (Commissioner of Inland Revenue) and specified in the assessment notice. The tax date is usually between November of the current year and April of the following year. Taking a company whose accounting year end date is December 31 as an example, the company's final tax payment for a given tax year should normally expire in November of the refund year, while the temporary tax payment (payment in two installments) should usually be in Pay in November of the current year and January of the following year.

3.2 Basic Information about Taiwan

Taiwan is a provincial administrative region of the People's Republic of China. Taiwan is located in the southeastern waters of mainland China. Taipei is the provincial capital and largest metropolitan area. The island of Taiwan has an area of 35,808 square kilometers, is China's largest island, the world's 38th largest island, with mountain ranges dominating the eastern two-thirds and plains in the western third, where its highly urbanized population is concentrated.

Taiwan is recognized as a developed economy by the World Bank, the International Monetary Fund, and the CIA "World Profile" and is one of the four Asian tigers. International trade is the economic lifeline of Taiwan. Mainland China is Taiwan's largest trading partner, the first region of import and export trade, followed by the United States and Japan. Taiwan's economy is dominated by small and medium-sized enterprises rather than large enterprise groups.

Mandarin is the primary language used in business and education, and is spoken by the vast majority of the population. Traditional Chinese is used as the writing system. The official currency of Taiwan is the New Taiwan dollar (NTD).

Tab. 3.4 Basic information about Taiwan in 2018

Population	23.58 million	Area	35,808 km²
Currency	NTD	Inflation	0.43%
Unemployment	3.74%	Tax revenues	78.98 billion US dollar
GDP	589.39 billion US dollar, 25,026 US dollar per capita		

Source: https://zh.tradingeconomics.com/taiwan/

3.2.1 Corporate Income Tax in Taiwan

Taiwan's corporate income tax refers to the taxes that Taiwan levies on income from profit-making operations. Taiwan’s CIT subject corporations, companies, limited or unlimited, sole proprietorships, partnerships, and the other forms of business organizations as taxpayers. Foreign profit-making enterprises only tax income in Taiwan.

According to the total income of the taxpayer in the tax year, the balance of the cost, expenses, losses and taxes other than the income tax of the profit-seeking enterprise shall be taken as the basis for taxation.

Taiwan's CIT is subject to an excessive progressive tax rate. And an income basic tax (IBT) applies in certain circumstances and a 5% surtax is levied on undistributed profits.

3.2.2 Taxpayer

The corporate income taxpayers in Taiwan are classified as Profit-seeking enterprises and Permanent establishment.

The profit-seeking enterprises refer to enterprises operated by public, private, or joint public and private interests that have a registered business name or a place of business and are organized in the form of a sole proprietorship, partnership, company, or any other form of organization.

Profit-seeking enterprises in Taiwan are divided into two categories. The first is profit-seeking enterprises with head offices within Taiwan. And the second is profit-seeking enterprises with head offices outside Taiwan but having income derived from sources in Taiwan.

For Taiwan income tax purposes, the permanent establishment refers to a foreign enterprise which has a fixed place of business or business agent in Taiwan.

3.2.3 Place of Residency

A domestic profit-seeking enterprise is subject to corporate income tax on all of its income regardless of source. All profit-seeking enterprises, including subsidiaries of foreign companies that are incorporated under the Company Law of Taiwan, are considered domestic profit-seeking enterprises. A foreign profit-seeking enterprise is subject to tax only on income sourced in Taiwan.

If a profit-seeking enterprise renders e-services from outside Taiwan to a Taiwanese consumer, the services are deemed to be provided in Taiwan and income from the services will be Taiwan-source income subject to tax in Taiwan.

3.2.4 Taxable Income

Income for tax purposes is computed according to Taiwan’s generally accepted accounting principles, adjusted for certain provisions included in the tax code. Necessary and ordinary expenses of a profit-seeking enterprise are deductible, provided these are adequately supported by documentation.

Taxable income of a profit-seeking enterprise is net income, which is defined as gross annual income after the deduction of costs and expenses, losses and taxes. Except for certain exempt items, income from all sources (business income, rent, interest, royalties, and capital gains realized from property sales, etc.) is subject to income tax.

Certain items of income are not included in taxable income. Currently, gains from sales of Taiwanese securities and futures are exempt from regular income tax. Also, for land purchased prior to 2 January 2014, or land purchased on or after 2 January 2014 but before 1 January 2016 and held for more than two years, disposal gain is exempted from regular income tax. Nevertheless, losses and expenses attributable to afore-mentioned tax exempted income are accordingly not tax deductible.

Special provisions apply to determine the Taiwan-source income and income tax payable by foreign e-services providers.

3.2.5 Determination of Income

Proceeds from the disposal of fixed assets shall be taxed as the company's current income, except for proceeds from the sale of land under the old real estate tax system. There is no need for consistency between financial reporting and tax reporting.

Resident companies and non-resident companies with fixed places of business or business agents in Taiwan that dispose of capital gains from Taiwan securities and futures are exempt from CIT assessment, but are subject to an income basic tax of 12% with a tax exemption of NTD 500,000. Capital losses can be deducted from capital gains and carried forward for five years. If the security is held for more than three years, 50% of capital gains are tax-exempt. During the period from January 1, 2010 to December 31, 2026, transactions in corporate bonds and financial bonds (as defined in the Taiwan Banking Law) are exempt from securities transaction tax. Income from disposal of securities not issued or certified in accordance with Taiwan regulations is subject to income tax.

Inventory must be valued at cost. If the cost exceeds the net realizable value, it can be used as a basis for evaluation. Costs can be determined by FIFO (first in first out), moving average, weighted average, specific identification or any other method approved by the tax authority.

Dividends received by resident company shareholders from resident investment companies are not included in taxable income. However, dividends received from foreign subsidiaries are taxable, but a credit for withholding tax paid overseas is limited to the increase in dividends added to the taxable income of Taiwanese company shareholders and taxed at the Taiwan CIT rate Tax liability.

Interest on commercial paper and certain other interest-bearing financial instruments for resident and non-resident taxpayers is subject to 10% and 15% -20% withholding tax, respectively. This income should be reported as current income, and the withholding tax paid can be deducted from the income tax payable.

Non-resident companies that obtain royalties registered in Taiwan and overseas, trademarks registered in Taiwan, and computer software copyrights licensed by Taiwanese companies, or charge a Taiwan company incorporated in Taiwan Co., Ltd. for technical service fees related to the construction of the plant / power plant / power plant, can apply by obtaining prior approval from the Industrial Development Agency and tax authorities income tax free. In order to obtain patent licenses and technical service fees, Taiwanese licensee companies need to work in designated industries.

Taiwan uses a global tax system to tax its resident companies, including foreign companies' subsidiaries in Taiwan.

3.2.6 Determination of Expenditure

Generally, expenses or losses incurred in the ordinary course of business are tax deductible, unless these expenses or losses are not supported by the proper documentation required.

Provided certain requirements are met, the estimated tax losses of the business entities (including companies and branches of foreign companies) could be carried forward for up to 10 years.

Taxpayers may require depreciation deductions for most property (except land) used in trade or commerce. Depreciation may be computed using the straight-line, fixed percentage on diminishing book value method, working-hour method, sum-of-the-years'-digits method or production-unit method. Under the working-hour method, depreciation is calculated based on the number of hours of use of depreciated assets during the tax year. The term of asset depreciation is specified by the tax authority.

Tab. 3.5 Depreciation of CIT in Taiwan with working-hour method for number of years

Assets	Years
Commercial buildings	10 to 50
Industrial buildings	5 to 35
Office equipment	3 to 5
Motor vehicles and vessels	3 to 18
Plant and machinery	2 to 20

Source: 2019 Worldwide Corporate Tax Guide Taiwan

If a reputable professional appraisal company issues an appraisal report and the identifiable net assets are evaluated separately, goodwill should be amortized for 15 years.

The interest charged by a foreign financial institution to provide financing facilities to its Taiwan branch or other financial institutions in Taiwan is exempt. With the approval of the Ministry of Finance, interest earned on foreign financial institutions providing loans to Taiwanese legal persons to finance important economic construction projects is also tax-free. Interest on loans used for business purposes can be deducted during the year. However, for loans from non-financial institutions, the annual interest rate does not exceed 15.6%.

Charitable donations can be deducted in full, but cannot exceed 10% of profits. Charitable donations to support defense, morale, donations to governments at all levels, and donations specifically approved by the Ministry of Finance are not subject to any tax restrictions. The representation costs are also tax deductible, as shown in the table below. If the cost not exceed the amount which shown below can be full deducted.

Tab. 3.6 Tax deductible of representation costs in Taiwan

Amount of gross receipts (NTD)	Rate
9 million or less	1%
Over 9 million up to 45 million	NTD 90,000 + 0.6% of the excess over NTD 9 million
Greater than 45 million	NTD 306,000 + 0.4% of the excess over NTD 45 million

Source: 2019 Worldwide Corporate Tax Guide Taiwan

Approved by the competent authority, if the licensed rights are used to introduce new production technology or products, improve product quality or reduce production costs, royalties paid for foreign companies using their patents or trademarks or for licensing of other special rights are exempt.

Under the new Industry Innovation Regulations (SII), companies can require a maximum of 15% of their R & D spending as a credit to offset corporate income tax that is payable only in that year, or 10% of its R & D expenditure is required as a credit to offset the corporate income tax payable within three years. The maximum credit is 30% of the tax payable. Taiwan resident companies can deduct up to 200% of eligible R & D expenses within that year (with the corresponding income received as the upper limit). This treatment can no longer be used in conjunction with R & D tax credit incentives.

When certain legal procedures or time requirements are met, the actual loss on bad debts can be deducted. First of all, the loss should be deducted from the bad debt reserve. The bad debt reserve must not exceed 1% of the accounts receivable and bills receivable, or the actual average bad debt ratio in the past three years.

Gains on sales of land had been exempt from income tax. Provisions for a retirement fund approved by the authorities are deductible in amounts up to 15% of the total payroll.

Fines and penalties for violating various tax laws are usually not deductible.

3.2.7 Tax Rate

The corporate income tax rate for resident companies and Taiwan branches of foreign companies is 20%. For entities seeking profits with taxable income of less than NTD 500,000, the corporate tax rate is 18% in 2018, 19% in 2019, and 20% in 2020.

If a company's basic income exceeds NTD 500,000, income basic tax is applicable to domestic profit-making enterprises and foreign profit-making enterprises with a fixed place of business or agent in Taiwan. And the rate of IBT is 12%. If regular income tax equals or exceeds IBT, only regular income tax is payable. Regular income tax is equal to the taxable amount calculated under the income tax law minus tax credits. If the regular income tax is less than the IBT, the difference between the regular income tax and the IBT should be paid in addition to the regular income tax. The additional tax payment cannot be offset by tax credits.

In addition, a 5% profit retention tax is levied on any current income that is not distributed before the end of the next year.

3.2.8 Withholding Tax

Dividends paid to resident shareholders are not subject to withholding tax. Dividends paid to non-resident shareholders will be subject to a 21% withholding tax, unless the tax rate is reduced under a tax treaty.

For residents, the withholding tax on interests is 10%, and for non-residents, the withholding tax on interests which from short-term bills; securitized certificates; corporate bonds, government bonds or financial debentures; repurchase transactions from those bonds or certificates. The rate in all the other cases is 20%, unless the rate is reduced under a tax treaty.

A 10% withholding tax applies to royalties for residents. The tax rate for non-residents is 20% unless deducted under a tax treaty.

If payments to a foreign company for technical services provided to a Taiwanese entity are considered Taiwanese sourced income, a 20% withholding tax is payable.

And there is no branch remittance tax.

3.2.9 Tax Payment and Tax Return

Taiwan's tax year is from January 1 to December 31. Profit-seeking enterprises can request approval from the local collections authority to submit CIT returns at the end of fiscal years other than December 31.

Tax returns are submitted based on a self-assessment. CIT returns should expire within five months of the end of the tax year. In order to file taxes, companies must use their national currency (NTD) as the basis of accounting. If you use foreign currency for accounting purposes for business purposes, you still need to convert the foreign currency into your own currency and prepare a tax return for your currency.

The first payment is calculated based on 50% of the taxable amount of the previous year's tax return and is paid within the 9th month of the corporate accounting year. However, if the taxpayer meets certain requirements, the temporary tax can be assessed on its own based on the taxable income in the first half of the fiscal year. The second payment is made when the annual tax return is filed. The tax returns are then reviewed by the tax authorities and a final assessment is issued.

3.3 Basic Information about Korea

Korea, officially the Republic of Korea, is a country in East Asia, constituting the southern part of the Korean Peninsula and sharing a land border with North Korea. Its capital is Seoul. Korea occupies the southern portion of the Korean Peninsula, which extends some 1,100 km from the Asian mainland. Its total area is 100,032 square kilometers. Korea is surrounded by the sea on three sides, the Yellow Sea on the west, the Korean Strait on the southeast, the Sea of Japan on the east, and the North Korea on the north by the demilitarized zone of the 38th parallel.

Korean is the official language of Korea. And the official currency of Korea is the

Korean won.

Korea is a developed capitalist country, a founding member of APEC, the World Trade Organization and the East Asia Summit. It is also a member of important international organizations such as the OECD, the G20 and the United Nations.

Large enterprise groups occupy a very important position in the Korean economy. The major large enterprise groups include Samsung, Hyundai Group, SK Group, LG Corporation, and Hanwha Group.

Tab. 3.7 Basic information about Korea in 2018

Population	50.4 million	Area	100,032 km²
Currency	KRW	Inflation	1.48%
Unemployment	3.74%	Tax revenues	343.23 billion US dollar
GDP	1.619 trillion US dollar, 31,363US dollar per capita		

Source: https://www.koreatimes.co.kr/

3.3.1 Corporate Income Tax in Korea

Korean domestic companies tax their worldwide income, including income from their foreign branches. A domestic company is an effective management that has its head office or main office or occurs in Korea. Foreign companies only tax income from Korean sources.

Korea's CIT is subject to an excessive progressive tax rate. And it is also accumulated earnings tax. Large domestic companies in Korea with an equity capital (the difference between total assets and total liabilities) of more than KRW 50 billion and Korean companies in cross-shareholding conglomerates are subject to a 22% tax (including local income tax which is also called surtax) on excess income in addition to their corporate income tax.

3.3.2 Taxpayer

In Korea, corporations subject to corporate taxes can be divided into two types: domestic or foreign, profit or non-profit. Usually the corporations are divided into domestic corporations and foreign corporations. And domestic corporations are categorized into two types: profit and non-profit. Those types of corporations are the corporate income taxpayer of Korea.

3.3.3 Place of Residency

The head office or head office in Korea is a resident corporation. Corporations that have an effective place of management in Korea are also considered resident corporations. Resident corporations are subject to corporate income tax on their worldwide income in Korea.

Non-resident corporations bear corporate income tax only on income from Korea. However, liquidation income of the non-resident corporation is not taxed. Non-resident corporations are generally considered to have taxpayer status in Korea under the following circumstances. The first is that it has any fixed place of business in Korea, where the entity's business operates wholly or partly. Secondly, it is represented by a dependent agent in Korea. The dependent agent refers to who has the right to conclude a contract on its behalf and who has repeatedly exercised that power, or even without such authority, they will repeatedly play a major role in the contracting process. And the third is that its employees have provided services in Korea for more than six months for 12 consecutive months. The last is that even if each service visit lasts less than six months in 12 consecutive months, its employees provide similar services in Korea continuously or repeatedly for two or more years.

3.3.4 Taxable Income

The amount of corporation’s tax base for one business year is the net taxable income which is difference between total taxable income and total deductible expenditures which also include the carried forward tax loss.

Taxable income is derived from transactions that result in an increase in net assets, unless otherwise provided by the Corporate Income Tax Law (CITL), such as capital injections (i.e. A mature company decides to go public, and then makes money by issuing shares).

Except as otherwise provided by CITL, deductible expenses are derived from transactions that result in a reduction in net assets, such as capital repatriation or distribution of undistributed profits. Only business-related expenses are tax deductible.

For a profitable domestic corporation, all general business income (including income from real estate transfers) and liquidation income (income realized by the company as a taxable entity when the business is liquidated) are taxable.

For non-profit domestic corporations, taxable incomes include profitable business income under the Korean Standard Industrial Classification, which are interests, dividends, capital gains from transfer of stocks and fixed assets not used directly for non-profit businesses, gains from transfer of bonds and debentures, and the preemptive rights or shares.

When the corporation's headquarters or main office is located in a foreign country, only its domestic income is subject to corporate tax (only if in Korea, corporation does not have an effective place of management). However, income from liquidation of the corporation is not taxable.

For non-profit foreign corporations such as foreign governments or local governments, and non-profit foreign corporations, except for profitable business income in Korea, income is not taxed.

3.3.5 Determination of Income

Branch income is the difference between total taxable incomes and total deductible expenditures which including carried forward tax loss, however, the incomes and expenditures must be Korea-source.

The definition of capital gains is the net amount after deducting the transfer price less the purchase price of assets such as shares or real estate and other expenses such as taxes or commissions. For the tax purpose, total income does not include income from capital trading gains, such as capital surplus, paid-in capital reduction gains, etc. However, gains from treasury stock transactions are taxable and losses can be deducted from taxable income.

Inventory is usually expressed as the lower of cost or market (LCM) or cost method. For tax purposes, corporation can choose between LCM and any of the six cost methods. Unless a change request is submitted three months before the end of each year, the chosen method should be applied consistently every year.

The valuation of securities or bonds should use the cost method. For the cost method, the weighted average cost method or moving average cost method should be used for securities evaluation, and specific identification methods can be used for bond evaluation.

All dividends distributed to shareholders, whether in cash or stock, are taxable as dividend income. However, to prevent double taxation, a Dividend Received Deduction (DRD) can be used if certain requirements are met. According to DRD, it's available for dividend income received by a Korea resident corporation from another Korea resident corporation.

Tab. 3.8 Deduction limits for a company receiving dividends in Korea

Dividend from non-listed corporation		Dividend from listed corporation	
Shareholding	DRD	Shareholding	DRD
100%	100%	100%	100%
More than 50%, less than 100%	50%	More than 30%, less than 100%	50%
50% or less	30%	30% or less	30%

Source: KPMG Korea Tax Profile

Interest income from loans is generally taxable under the corporate income tax law. Income from property leases also should be included in taxable income. And royalties are considered taxable income.

3.3.6 Determination of Expenditure

Except where otherwise provided by CITL, deductible expenses from transactions that result in a reduction in net assets, such as the distribution of capital gains or undistributed profits.

Tax loss (including capital loss) are carried forward from the business year in which it occurs to the next 10 business years, up to a maximum of 60% of the tax base amount of the current business year. For small and medium sized companies (SMEs), they can carry forward pre-tax loss to 100% of the tax base amount. And for SMEs only, tax losses can be carried back for one year, while tax loss for other types of companies cannot be carried back.

In general, corporations could depreciate tangible fixed assets for using the straight-line, declining-balance or unit-of-production (output) depreciation methods. However, buildings and structures must be depreciated using the straight-line method. Intangible assets must be amortized using the straight-line method.

Tab. 3.9 Depreciation of CIT in Korea with declining-balance method and useful life

Asset	Annual depreciation rate under declining-balance method (%)	Useful life (year)
Commercial buildings	–	20 or 40
Industrial buildings	–	20 or 40
Office equipment	45.1	5
Motor vehicles	45.1	5
Plant and machinery	45.1 to 14	5 to 20

Source: 2019 Worldwide Corporate Tax Guide Korea (South)

The company's annual depreciation car is KRW 8 million for corporate income tax purposes. In addition, for personal use, the company's car expenses, including depreciation, cannot be deducted.

For the tax purpose, the goodwill should be deducted for five years with the straight-line method.

All dividends distributed to shareholders are taxable as dividend income, whether paid in cash or in stock. However, if a qualified domestic holding company owns more than 80% of its domestic subsidiaries (40% if it is a listed subsidiary), it will receive a 100% dividend deduction. And 90% deduction for 80% (40% of listed subsidiaries) and 80% deduction for 50% (30% of listed subsidiaries) of shares or less. A domestic corporation other than a qualified holding company will also receive a 100% deduction for share ownership of 100%, 50% for more than 50% (30% in case of listed subsidiary) share ownership, and 30% for share ownership of 50% (30% in case of listed subsidiary) or less.

Interest expense derived from loan is deductible as it decreases the value of net assets. However, interest paid to unspecified lender, interest on non-business-related loan from related parties or borrowing for purchase of non-business-related assets (e.g., non-business-related real properties) are not deductible.

The company currently claims tax credits for eligible R & D expenditures, with a credit of 0% to 2% of current R & D expenditures (8% for medium-sized enterprises and 25% for small and medium-sized enterprises), or 25% (40% for medium-sized enterprises and 25% for small and medium-sized enterprises) of the increase in research and development expenses.

Donations to public interest entities (such as government agencies and social welfare organizations), as well as donations to academic research, technology development, etc., are classified as Bub-jung donations. Bub-jung donations are deducted up to 50% of the total taxable income of the relevant financial year after deducting the net operating loss (NOL). Ji-jung donations donated to public institutions under the CITL are also tax deductible, up to 10% of the total taxable income for the financial year after deductible Bub-jung donations and NOL.

The royalties paid to residents are 100% tax-free, while royalties paid to non-residents are taxable. Residents' technical service fees can be deducted, and non-residents need to pay withholding tax.

The representation costs are also tax deductible, as shown in the table below.

Tab. 3.10 Tax deductible of representation costs in Korea

Amount of gross receipts (KRW)	Rate
10 billion or less	0.20%
Over 10 billion up to 50 billion	KRW 20 million + 0.1% of the excess over KRW 10 billion
Greater than 50 billion	KRW 60 million + 0.03% of the excess over KRW 50 billion

Source: taxsummaries.pwc.com/ID/Korea

For companies that are not financial institutions, for tax purposes, the allowance for bad debts can be deducted, which is based on the 1% of book value of the accounting receivable at the end of the period or the actual bad debt ratio. The bad debt ratio refers to deductible bad debts in a current year divided by the preceding year's tax book value of receivables.

Employers who hire one or more employees must reserve severance or retirement benefits for their employees. There are two available retirement pension system plans, fixed contribution (DC) and fixed benefit (DB). Under the DC plan, the pension premium paid by the employer can be deducted at the time of payment, while under the DB plan, the deduction of reserves is limited.

Fines, penalties, and interest on underpayment of taxes are not deductible. Various penalties for illegal activities and punitive damages that exceed compensatory damages are not deductible.

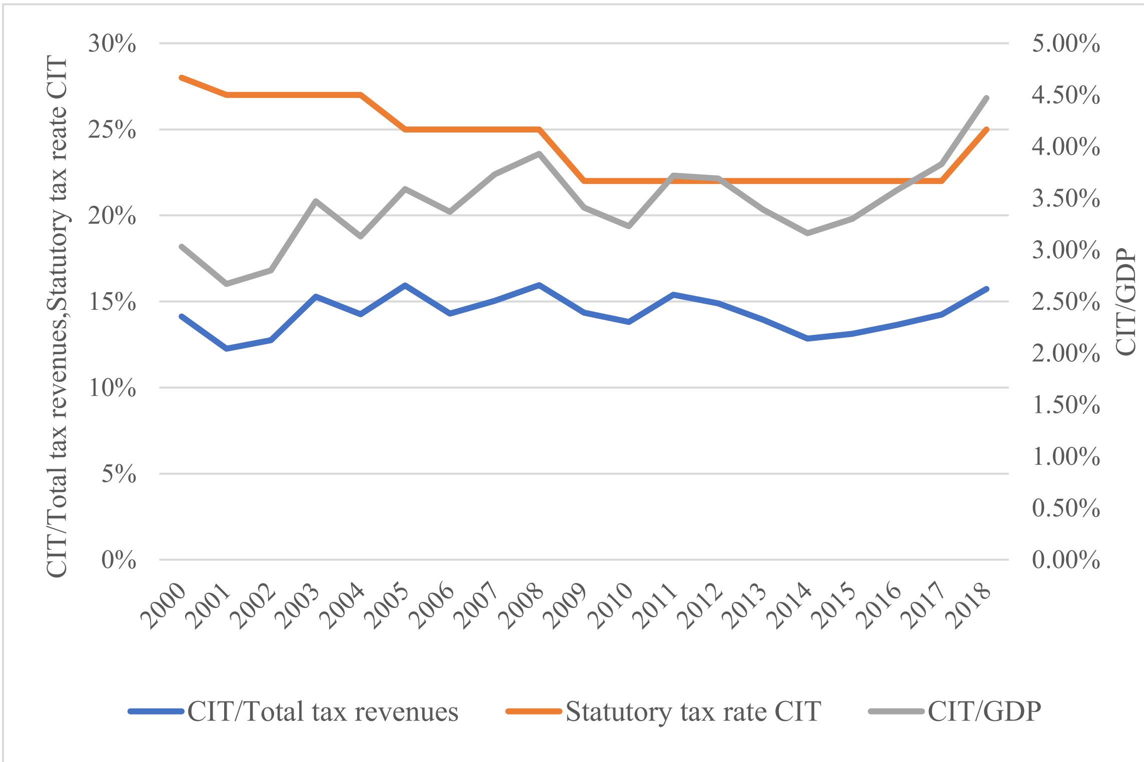
Korean corporate income tax has a tax credit policy for investment in energy conservation and environmental protection projects. If a resident enterprise invests in energy-saving projects (excluding invests in used goods) no later than December 31, 2021, the CIT can be deducted by 1% (3% for medium scale companies and 7% for SMEs) of the investment amount. If a resident enterprise invests in any environmental conservation project (excluding invests in used goods) no later than December 31, 2021, the CIT can be deducted by 3% (5% for medium scale companies and 7% for SMEs) of the investment amount. And the unused tax credit can be carried forward for five years.

3.3.7 Tax Rate

Korea implements a progressive CIT. The tax rate is 10% on the first KRW 200 million of taxable income, 20% on taxable income over KRW 200 million up to KRW 20 billion, 22% on taxable income over KRW 20 billion up to KRW 300 billion, and 25% on taxable income over KRW 300 billion.

Korea implements surtax. The local income tax rate is 1% on the first KRW 200 million, 2% on taxable income over KRW 200 million up to KRW 20 billion, 2.2% on taxable income over KRW 20 billion up to KRW 300 billion, and 2.5% on taxable income over KRW 300 billion.

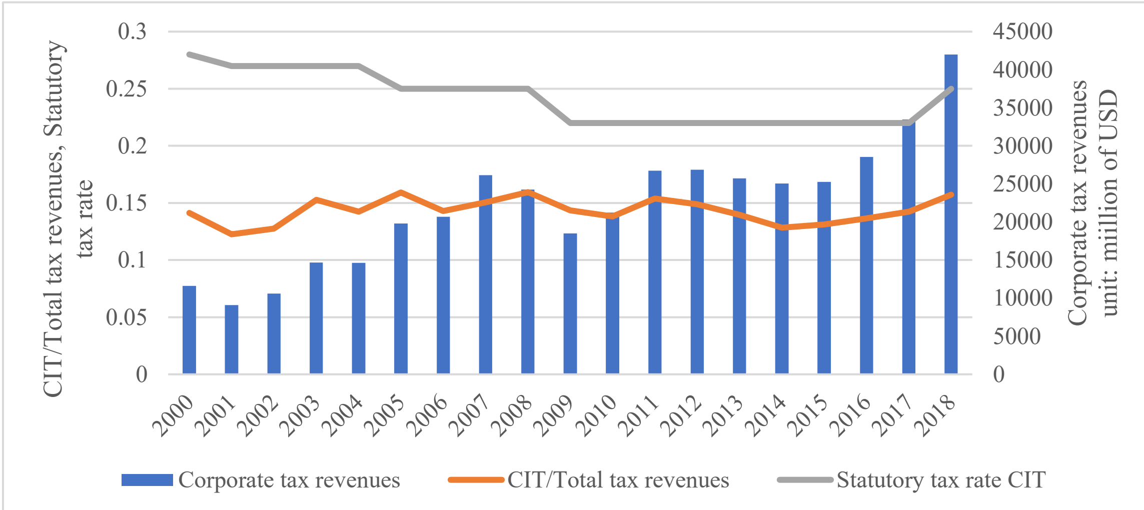
Fig. 3.1 Dependency of the tax quota and the tax revenues of Korea's corporate income tax on the evolution of the tax rate



Source: OECD.stat

From Fig. 3.1, we can see that the statutory tax rate of CIT was changed six times. In 2000, statutory tax rate is 28%, from 2001 to 2004 tax rate is 27%, in 2005 tax rate changed to 25%. And in 2009, tax rate decreased into 22%, in 2018 the tax rate increased into 25%. And since 2000, the tax quota and CIT as the percentage of total tax revenues are almost showed the same trend.

Fig. 3.2 Dependence of tax quota and corporate income tax rate on tax revenue in Korea



Source: OECD.stat

3.3.8 Withholding Tax

Dividends paid to domestic companies are not subject to withholding tax. Dividends paid to non-resident companies or individuals are subject to a 22% withholding tax (including local surtax).

Interest on a regular loan paid to a non-resident corporation or individual is subject to a 22% withholding tax (including the local surtax). The interest on bond need to pay withholding tax with tax rate (including local surtax) 15.4%.

There are 22% withholding tax for royalties paid to a non-resident corporation or individual.

Services provided by Korean non-resident companies or individuals are generally classified as personal service income with a 22% withholding tax (including local surtax). Technical service fees for the transfer of technical information or know-how can be classified as royalties.

Generally, there are no remittance taxes for branches. However, if a tax treaty between Korea and the country where the branch headquarters is located allows Korea to levy branch tax, branch tax may be levied ranging from 2% to 15% after tax profit minus reinvested capital.

3.3.9 Tax Payment and Tax Return

In Korea, the taxable year is the fiscal year chosen by the taxpayer. However, it cannot exceed 12 months.

The company must submit a payable interim tax return in the first six months of the financial year and must file / pay within two months of the end of the six-month transition period. The company must file an annual tax return and pay the appropriate amount for that financial year, and must file / pay within three months (four months for a consolidated tax return) after the end of the financial year. If the external audit is not completed and the financial statements are not fixed, the company can request an extension of the tax reporting period for one month, with an annual interest arrears of 1.8%.

If the amount of tax payable by a resident corporation exceeds KRW 10 million, it can be paid in installments within one month from the expiration of the payment period (two months for small and medium-sized enterprises). If the tax amount is less than KRW 20 million, it can be paid in installments. If the tax amount exceeds KRW 20 million, it can pay less than 50% in installments.

3.4 Basic Information about Singapore

Singapore, officially the Republic of Singapore, is a sovereign island city-state in Southeast Asia. The country is located at the southernmost tip of the Malay Peninsula, to the south is the Riau Islands in Indonesia, and to the north is the Peninsula of Malaysia. Singapore's territory consists of one main island along with 62 other islets.

The currency of Singapore is the Singapore dollar (SGD), issued by the Monetary Authority of Singapore (MAS). Malay is the national language, English, Chinese, Malay and Tamil are the official languages, and English is the administrative language.

Singapore is the only country in Asia with a AAA sovereign rating from all major rating agencies, and one of 11 worldwide. Singapore is a highly developed country and is ranked 9th on the UN Human Development Index, the highest in Asia for a sovereign state, with the 7th highest GDP per capita in the world.

As one of the five founding members of ASEAN, Singapore is the host of the APEC, Secretariat and Pacific Economic Cooperation Council (PECC) Secretariat, as well as many international conferences and events. It is also a member of the East Asia Summit, Non-Aligned Movement and the Commonwealth of Nations.

Tab. 3.11 Basic information about Singapore in 2018

Population	5.63 million	Area	724.4 km²
Currency	SGD	Inflation	0.50%
Unemployment	2.20%	Tax revenues	51.67 billion US dollar
GDP	370.094 billion US dollar, 66,174 US dollar per capita		

Source: DATA.GOV.SG, CEIC

3.4.1 Corporate Income Tax in Singapore

Singapore is taxed on the principle of territoriality. Income tax is levied on all income from Singapore-sources and income received in Singapore from non-Singapore sources. However, non-resident companies that do not operate in or from Singapore generally do not tax income derived from foreign sources in Singapore.

3.4.2 Taxpayer

All sources of income of the territory of Singapore enterprises, and foreign income sources available in Singapore, are required to pay CIT. However, non-resident corporations that do not operate in Singapore generally do not need to pay CIT on income derived from overseas sources obtained in Singapore. Foreign source income is remitted or deemed to be remitted to Singapore, unless special tax exemptions are granted through tax legislation, IRAS administrative concessions or tax treaties.

3.4.3 Place of Residency

In Singapore, a company's tax residency is determined by its place of central management and control of the business. If the place of control and management of the company is exercised in Singapore, the company, whether incorporated in Singapore or otherwise, is considered a Singapore resident for tax purposes.

Generally, if a company's board of director's meeting is held in Singapore, the company will be considered a resident of Singapore.

3.4.4 Taxable Income

Generally, book profits reported in financial statements in accordance with Singapore Financial Reporting Standards are adjusted in accordance with Singapore tax law to arrive at taxable income.

Both resident and non-resident companies are taxable on income generated in or derived from Singapore and foreign income remitted or deemed to be remitted to Singapore. Assessable income includes the gain or profit of any trade or business, investment income such as dividends, interest and rent, royalties, premiums and any other income from the property and other income of a profitable nature.

All expenses of an income nature incurred in order to generate income may be deducted in the calculation of taxable income. Other deductible costs include capital subsidies and tax losses carried forward from previous years.

3.4.5 Determination of Income

There is no capital gains tax in Singapore. However, if the gain is considered to be gain in mature, the gain could be taxable in Singapore. In the case of a series of transactions or a short holding period of assets, the tax authority may consider the business is being carried on and try to evaluate its earnings as the company's trade profits.

For continuous business, there is no special stipulation on which valuation basis should be used for inventory (inventories in trade), as long as the benchmark is consistent between one year and another.

Singapore uses a one-tier corporate tax system whereby tax at the corporate level such as any underlying tax is the final tax. Therefore, Singapore dividends are tax-free in the receiver's hands.

In general, when remittance or deemed remittance into to Singapore, foreign dividends shall be taxed at the prevailing corporate income tax rate in Singapore.

Generally, interest income accrued in Singapore is taxable at maturity. On the other hand, foreign interest income is taxable in Singapore when remitted or deemed to be remitted to Singapore.

Revenue from royalties from Singapore is taxable when incurred, while remittances or deemed remittances of royalties from abroad are taxable.

For Singapore tax purposes, branches of foreign companies usually charge the same taxes as resident companies.

Regardless of whether the company is resident in Singapore, foreign income is taxable on receipt in Singapore. Legislation governs the basis for processing foreign income received in Singapore. There is no special provision for taxation of undistributed income of foreign subsidiaries.

3.4.6 Determination of Expenditure

Generally, tax deductions are allowed to be used wholly and exclusively for income-generating expenses. Taxes are not deductible for expenses of capital, private or domestic nature, and expenses incurred before or after the business is terminated. In addition, deductions are not allowed for expenditures that are explicitly prohibited under the Singapore Income Tax Act.

Losses may be carried forward indefinitely, as long as the shareholding of the loss-making company does not change by more than 50% of the total issued shares. In addition, to carry forward depreciation taxes, the same trade needs to continue. The tax authority can exercise its discretion without any incentive to avoid taxes, allowing tax losses and unutilized tax depreciation to be carried forward, even if the shareholding changes exceed 50%. The company's losses and tax depreciation of up to SGD 100,000 that year can be carried forward for one year. Loss and tax depreciation carryback must be tested as the continuity of shareholding test and the same trade test for carryback of tax depreciation.

For buildings used in eligible industries, depreciation is allowed at specified tax rates. Machines and equipment can be depreciated on a straight-line basis for all types of businesses within their specified working life. For capital expenditures incurred on computers, robots, standby generators, pollution control equipment and designated automation equipment, 100% depreciation allowances are available.

Tab. 3.12 Depreciation of CIT in Singapore with useful life and straight-line method

Assets	Useful life (Year)	Rate (%)
Plant, machinery and equipment	10	10
Building	50	2
Furniture, fittings or fixtures	10	10
Computer hardware	3	33
Computer software	3	33
Aircraft	5	20

Source: 2019 Worldwide Corporate Tax Guide Singapore

Interest arising from capital used in generating income, and prescribed borrowing costs in lieu of interest or reducing interest costs, will be allowed as tax deductions.

Donations can only be deducted if donated to a recognized donor in cash or other prescribed form. Deductions for eligible donations are usually 250% of the donation value.

The tax credit for R & D conducted in Singapore can be increased by 250% during the assessment year 2019 to 2025. If R & D is carried out overseas, 100% of eligible expenses can be deducted. Expenses related to the R & D cost sharing arrangement enjoy the same tax treatment as R & D expenses.

The first SGD 100,000 in qualifying expenses incurred from registering a qualifying intellectual property (IP) and the first SGD 100,000 of expenditure incurred to license qualifying IP are deductible by 200%.

The reserve for bad debts and receivables can be deducted to avoid being generated in the business and previously included in transaction income. Deductions can be made if the bad debts have been properly estimated and specifically treated. General provisions for bad debt cannot be deducted.

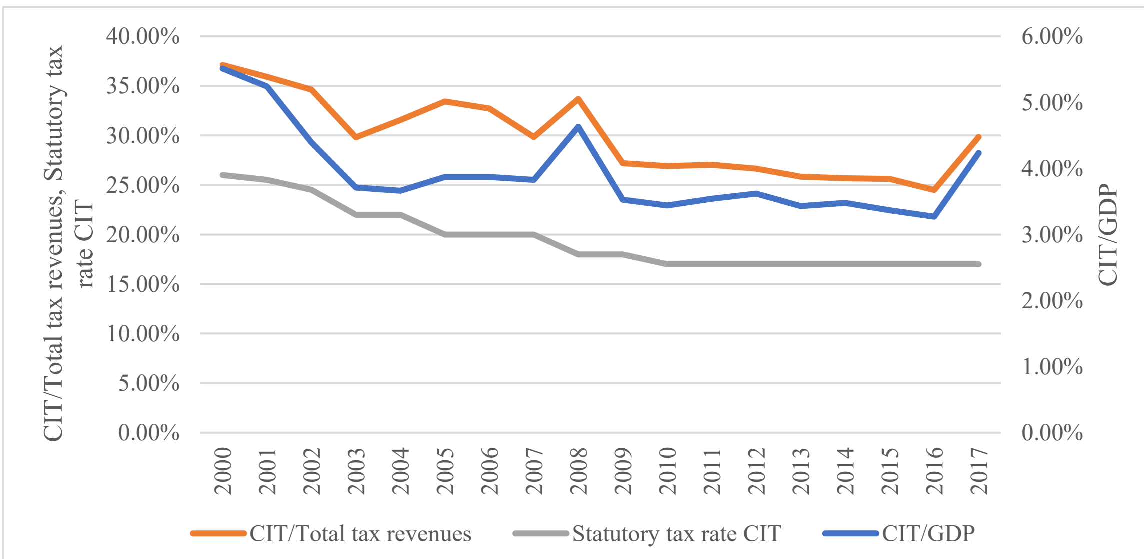
Fines and fines that violate the law are not deductible.

3.4.7 Tax Rate

The standard corporate income tax rate is 17%.

For YA 2019 (income year 2018) and prior, 75% of the first SGD 10,000 of normal chargeable income and 50% of the next SGD 290,000 of normal chargeable income are exempt from tax. In addition, a qualifying new private corporation may be exempt from tax on the first SGD 100,000 of normal chargeable income and on 50% of the nest SGD 200, 000 of normal chargeable income for its first three consecutive YAs. A CIT rebate of 20% of CIT payable is available for YA 2019, subject to a cap of SGD 10.000.

Fig. 3.3 Dependency of the tax quota and the tax revenues of Singapore's corporate income tax on the evolution of the tax rate

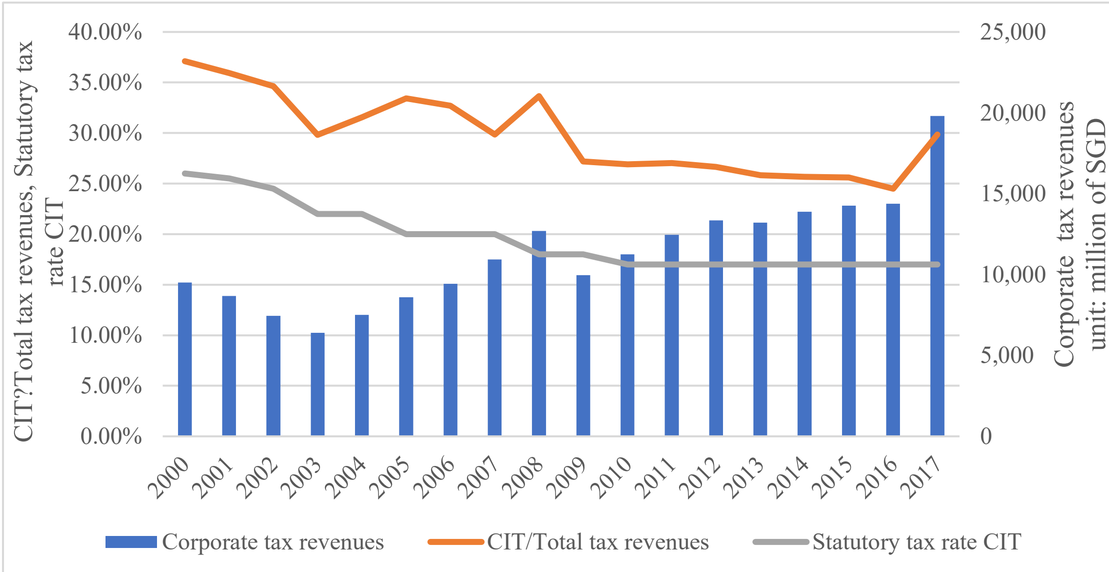


Source: OECD.stat

From Fig. 3.3, we can see that the statutory tax rate of CIT changed six time from 2000 to 2017, and the trend of statutory tax rate shows a downward. In 2000 the statutory tax rate is 26% and in 2001 changed to 25.5%. In 2002 changed statutory tax rate to 25%, and from 2003 to 2004 the tax rate is 22%. In 2005 tax rate decreased to 20% and in 2008 it changed to 18%. Since 2010 the statutory tax rate is 17%.

And since 2000, the tax quota and CIT as the percentage of total tax revenues are almost showed the same trend.

Fig. 3.4 Dependence of tax quota and corporate income tax rate on tax revenue in Singapore



Source: OECD.stat

3.4.8 Withholding Tax

Dividends paid by Singapore resident companies are not subject to withholding tax.

Withholding tax is not levied on interest paid to residents. However, interest paid to non-residents is subject to a 15% withholding tax, unless the tax rate is reduced under a tax treaty or a tax exemption is implemented under certain domestic preferences.

Royalties paid to non-residents are subject to a 10% withholding tax, unless the tax rate is reduced under a tax treaty or exempted under certain domestic concessions.

For technical service fees, if nonresidents are paid for assistance or services related to the application or use of scientific, technical, industrial or commercial knowledge or information, or to manage or assist in the management of an industry, business or profession, the company is required to pay a 17% withholding tax, unless the service is provided entirely outside of Singapore and is not provided through a business carried out in Singapore.

There is no withholding tax is levied on branch remittance.

3.4.9 Tax Payment and Tax Return

The tax base period is a calendar year. However, for operating profits, an accounting period is usually used.

Taxes are calculated for each tax year based on the income of the previous year (basis of taxation). The company submits an estimate of its income within three months after the end of the accounting period, and then returns the income before November 30 of the tax year, which is assessed by the income tax controller. All companies must submit their tax returns electronically. No fixed date for release assessment.

Regardless of whether a notice to the tax authority has been filed against the assessment, the assessment tax shall be paid within one month after the notice of assessment is served. An application can be made to the Comptroller to pay the estimated tax liabilities each month. However, the Comptroller has no obligation to approve such applications.

Overdue taxes will be fined up to 17% of the tax payable.

3.5 Basic Information about China

People's Republic of China, referred to as "China", was established on October 1, 1949. China is a unified multi-ethnic country with the Han nationality as the main body and 56 ethnic groups.

China is located in eastern Asia, on the west coast of the Pacific Ocean. China has a land area of about 9.6 million square kilometers, more than 18,000 kilometers of coastline on the eastern and southern continents, and more than 4.7 million square kilometers of water in the inland and frontier seas. There are more than 7,600 large and small islands in the sea area, of which Taiwan Island is the largest with an area of 35,798 square kilometers. China is bordered by 14 countries and is adjacent to the eight countries. The provincial administrative division is divided into 23 provinces, 5 autonomous regions, 4 municipalities directly under the Central Government, and 2 special administrative regions.

As of the end of 2018, the total population of the country is 1,395.38 million and the total population of the mainland China is 1,139.38 million.

The official language is Mandarin and standardized Chinese characters, and the capital is Beijing. The official currency is CNY.

China is the most populous developing country in the world. Its land area ranks third in the world. It is the second largest economy in the world and continues to be the largest contributor to world economic growth. In 2018, the total economic output exceeded 90 trillion yuan. China is also the world's largest exporter and second-largest importer of goods.

China is also a leading member of many formal and informal multilateral organizations, including the Shanghai Cooperation Organization (SCO), the World Trade Organization, APEC, the BRICS, BCIM and G20. China is one of the most technologically advanced countries in the world, and has the world's largest technology giants such as Huawei, Tencent and Alibaba.

Tab. 3.13 Basic information about China in 2018

Population	1,395.38 million	Area	9.6 million km²
Currency	CNY	Inflation	2.07%
Unemployment	3.80%	Tax revenues	2.364 trillion US dollar
GDP	13.608 trillion US dollar, 9,770.847 US dollar per capita		

Source: http://www.stats.gov.cn/

3.5.1 Corporate Income Tax in China

Chinese corporate residents should tax their income on a global scale, including income from business operations, investments and other sources. Foreign tax credits are allowed for income taxes paid in other countries. The upper limit of the credit is the Chinese income tax payable for the same income calculated according to the Corporate Income Tax Law.

3.5.2 Taxpayer

All companies (except for sole proprietorships and partnerships), including all organizations that generate income in China, are subject to corporate income tax. The "Enterprise Income Tax Law" divides enterprises into resident enterprises and non-resident enterprises, and each bear different tax obligations.

The most common forms of business for foreign investors doing business in China include wholly foreign-owned enterprises (WFOE), Sino-foreign joint ventures (EJV) and Sino-foreign cooperative ventures (CJV). WFOE, EJV and CJV are collectively referred to as Foreign Investment Enterprises (FIE).

A WFOE is a Chinese legal entity registered only by foreign investors. In fact, a WFOE is usually a limited liability company, and the liability of each shareholder is limited to the capital of the wholly foreign-owned enterprise subscribed by the shareholder. WFOE is an independent legal entity that is responsible for paying corporate income tax and all other taxes in China under Chinese tax laws and regulations. For Chinese tax purposes, it cannot be chosen as a perspective entity. According to the China Individual Income Tax Law and Regulations, employees of WFOE shall be liable for China's personal income tax.

An EJV is a limited liability company incorporated by at least one Chinese shareholder and at least one foreign shareholder under the laws of the China. Usually, foreign shareholders must hold at least 25% of the total number of EJV shares. The profit and loss of the EJV is distributed among the shareholders according to their respective ownership interests in the EJV. The EJV shall pay various taxes in China in accordance with Chinese tax laws and regulations, and its employees shall be responsible for China's personal income tax in accordance with China's personal income tax laws and regulations.

The CJV is a legal structure incorporated by Chinese and foreign parties in accordance with Chinese laws. This legal structure allows the Chinese and foreign parties to have great flexibility in determining the terms of cooperation, the distribution of profits or products, the sharing of risks or losses, the management structure, and the distribution of CJV assets at the end of the cooperation. A CJV is a limited liability company unless it takes another form of responsibility approved by a government agency. Income tax results may vary depending on the legal structure.

And the other forms are foreign investment holding companies, partnerships, branches, representative offices.

3.5.3 Place of Residency

If a company is established under the laws of the China or is established under foreign (regional) law, but its effective management is located in the China, it is considered to be within the territory of the China.

Resident companies should tax their global income. Non-residents are taxed on income from China-source and income that is effectively related to their establishments in China, if any.

The term “establishment” is broadly defined as a place of management, a branch, an office, a factory, a workshop, a mine or an oil or gas well or any other place where natural resources are mined, a construction site, a building, an assembly, an installation or exploration project, and a place to provide labor services.

3.5.4 Taxable Income

The taxable income refers to the amount remaining in the total income in a tax year, after deducting the allowable expenses and losses, tax-free tax exemption items, and any previous year's loss carry-over.

On a reasonable and practical basis, all documentation costs associated with operating activities are permitted, except for those that are clearly identified as non-deductible.

Total income comes from a variety of sources in cash or non-cash, including income from sales of goods, income from services, dividends, interest, royalties, rent, capital gains, donations and other income.

Non-taxable income includes financial allocations (for example, government subsidies to businesses), government administrative fees and government funds legally collected and brought in accordance with relevant laws, and other non-taxable income as prescribed by the State Council.

Often, all costs, expenses, taxes, losses, and other payments incurred by the business can be deducted to a reasonable extent and directly related to the income of the business. Usually, during normal business operations, if necessary and normal, the payment is reasonable. Typically, a company's loss in the tax year can be carried forward for up to five years. Since January 1, 2018, the five-year deadline for new high-tech companies and small and medium-sized science companies has been extended to 10 years. The loss cannot be carried back.

3.5.5 Determination of Income

Taxable income is defined as total income minus non-taxable income, tax-free income, allowable deduction, and tax loss. There are no significant differences between taxes and accounting methods used for revenue calculations. Dividends, bonuses, interest, royalties, rents and other income are included in taxable income.

Inventory must be valued according to costs. When calculating inventory costs, companies can choose one of the following methods: FIFO, weighted average, or specific identification.

In general, capital gains and losses are treated in the same way as other taxable income and losses, and are taxed at a normal income tax rate. However, non-resident companies receiving capital gains from China, such as proceeds from the sale of FIEs, are subject to a 10% withholding tax. In addition to income tax, real estate income tax is also levied on real estate income tax.

When the dividend is actually paid, the profit of the FIE distributed in the form of dividends shall be subject to withholding tax at a rate of 10% (the tax rate may be reduced according to the tax treaty or arrangement). The distribution of dividends from Chinese resident enterprises to another Chinese resident enterprise is not affected by Chinese corporate income tax. The distribution of dividends from non-resident enterprises to Chinese resident enterprises is subject to a 25% corporate income tax, but may be exist a foreign tax credit. Since November 1, 2015, investors can determine and enjoy the benefits of the agreement when submitting a tax return or making a withholding statement by a withholding agent, and accept the follow-up declaration management of the competent tax authority. Dividends paid between qualified resident companies may be exempted. For this purpose, resident companies are qualified if one tax resident has made a direct investment in the other tax resident. If the holding period of the shares exceeds 12 months, the dividends generated by the publicly traded shares are also regarded as tax-exempt investment income.

The tax credit applies to foreign income tax that has been paid or indirectly borne by Chinese resident enterprises, but the tax credit is generally limited to the amount of Chinese corporate income tax payable to the foreign source portion of the company's global taxable income. A non-resident enterprise with a business office or place of business in China may also claim an income tax credit in a foreign jurisdiction if it effectively obtains foreign income related to a private equity firm. However, the amount of the credit is limited to the Chinese corporate income tax that should be deducted from the income.

3.5.6 Determination of Expenditure

Generally, all costs, expenses, taxes, losses, and other payments incurred by the business can be deducted to a reasonable extent and directly related to the income of the business.

The management fees paid between enterprises, the rents and royalties paid between business units of the enterprise, and the interest paid between the business units of non-bank enterprises are not deductible. Interest paid by related party borrowings that do not meet the debt-to-equity ratio rules may not be deductible. Other non-deductible charges include sponsorship expenses, dividends and income from equity investments, including income tax payments including fines and surcharges, donations that do not meet the required requirements, reserves that have not yet been approved, and other expenses unrelated to production or business operations.

Provisions that are not approved by the tax authorities are generally not deductible. These include various reserves and reserves for asset impairment and risk reserves.

Depreciation of tangible assets is usually calculated using the straight-line method. Accelerated depreciation is allowed for certain fixed assets that are rapidly phased out by technology and fixed assets that are subject to sustained shocks and erosion.

Tab. 3.14 Depreciation of CIT in China with Straight-line method for useful life

Asset	Years
Buildings and structures	20
Aircraft, trains, vessels, machinery, equipment and other production plants	10
Appliances, tools, furniture and other assets related to production and business operations	5
Means of transport other than aircraft, trains and vessels	4
Electronic equipment	3
Productive biological assets in the nature of trees	10
Productive biological assets in the nature of livestock	3
Acquired software (subject to approval)	2

Source: 2019 Worldwide Corporate Tax Guide China

Goodwill can be depreciated over a period of not less than ten years.

The public welfare donation expenses incurred by the enterprise, which is within 12% of the total annual profit, are allowed to be deducted when calculating the taxable income. The portion exceeding 12% of the total annual profit is deducted from the calculation of taxable income within three years after the transfer is granted.

Interest on loans generally is tax-deductible. For non-financial institutions borrowing from non-financial institutions interest payments, the interest rate does not exceed the commercial portion can be deducted.

Research and development expenses incurred in the development of new technologies, new products, and new processes can be fully deducted from the taxable income. Qualifying R&D expenses enjoy an additional 50 percent deduction for CIT purposes. From January 1, 2018 to December 31, 2020, for R&D expenses incurred by new technologies, new products or new processes, in addition to the actual expenditures, they can also enjoy an additional 75% tax incentive as a reward.

The wages paid by the disabled persons and other employed persons encouraged by the state may be deducted in 200% in the taxable income.

The employee welfare expenses incurred by the enterprise shall be deducted up to 14% of the total wages and salaries. Welfare expenses refer to the expenses incurred for equipment, facilities and personnel incurred by the welfare department within an enterprise that has not yet implemented the social function of separation. Including staff canteens, staff bathrooms, barber rooms, medical clinics, nurseries, nursing homes and other collective welfare departments of equipment, facilities and maintenance costs and welfare department staff salaries, social insurance fees, housing provident funds, labor costs, etc. Welfare costs also refer to various subsidies and non-monetary benefits issued for employee health care, living, housing, transportation, etc. Other employee welfare expenses incurred in accordance with other regulations, including funeral subsidies, pensions, settlement expenses, and road travel expenses for visiting relatives.

Except as otherwise provided by the State Council 's department in charge of finance and taxation, deductions for employee education expenditures not exceeding 2.5% of total wages and salaries incurred by an enterprise are allowed to be deducted. The excess amounts are allowed to be carried forward and deducted in subsequent tax years.

Representation expenses incurred by an enterprise related to production and operation activities are deducted at 60% of the amount incurred, but the maximum cannot exceed 0.5% of the sales (operating) income of the year.

Venture capital enterprises engaged in venture capital investment that the state needs to support and encourage, can deduct the taxable income according to a certain proportion of the investment amount. The amount of investment that a company purchases for special equipment such as environmental protection, energy conservation, water conservation, and safe production can be taxed at a certain percentage.

For the income from the environment protection projects and energy/water conservative projects, the first three years are tax free and the fourth to sixth year enjoy 50% reduction of CIT.

From July 1, 2014 to December 31, 2018, recognized technology-advanced service companies in 21 cities in China can pay corporate income tax at a 15% tax reduction rate, rather than a 25% standard corporate income tax rate.

The income from the large-scale public infrastructure construction projects supported by the state can be approved by the relevant departments, exempting the enterprise income tax from the first year to the third year, and the corporate income tax reduction for the fourth to sixth years is 50%. Start with the first year of generating project revenue.

Companies located in western China and operating in encouraged industries or projects (increased business income accounting for more than 70% of their taxable annual income) can enjoy a reduced corporate income tax rate of 15%. Income from qualifying environmental protection projects and water conservation or energy conservation projects is exempt from corporate income tax in the first to third years, and corporate income tax exemptions in the fourth to sixth years are 50%. Start with the first year of generating project revenue.

Chinese companies earning a maximum of CNY 5 million from the transfer of qualified technology are exempt from corporate income tax, while corporate income tax on excess income can be reduced by 50%.

3.5.7 Tax Rate

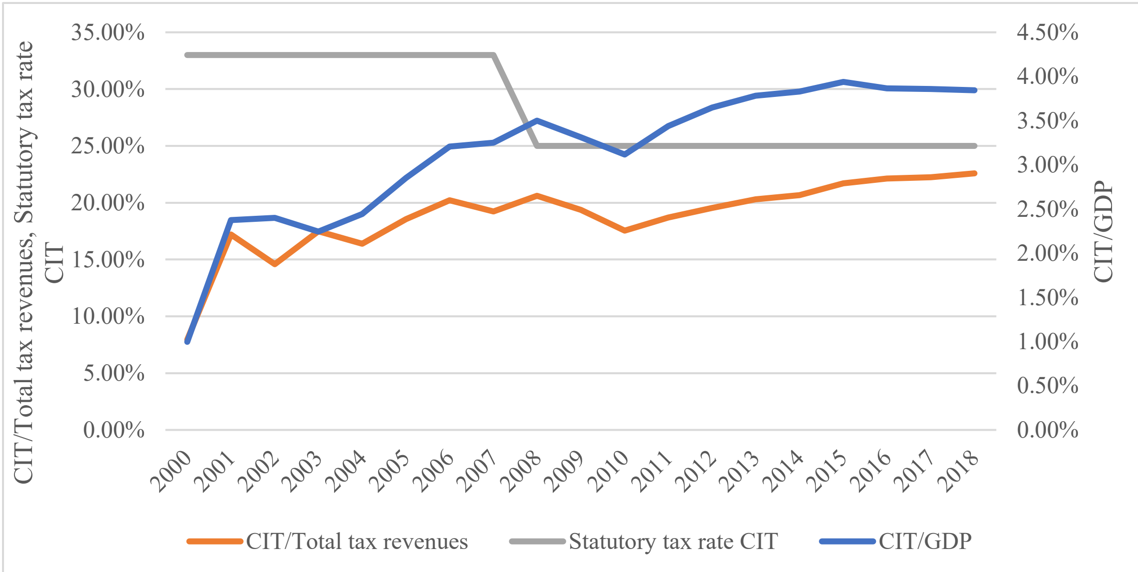
The statutory tax rate for corporate income tax is 25%. The withholding tax rate for passive income (including dividends, interest, royalties and capital gains) of non-Chinese tax residents is 10%.

The annual taxable income of eligible small and low-profit enterprises can enjoy a 20% tax rate and a 50% reduction, provided that their annual taxable income for the period from January 1, 2018 to December 31, 2020 is not More than CNY 1 million. Before January 1, 2018, the threshold is CNY 500,000.

The CIT tax rate for key software companies, key animation companies and integrated circuit design companies is 10%. The CIT tax rate for qualified technical advanced service companies nationwide is 15% (effective from January 1, 2017).

And the other deductible tax rates have been mentioned in the previous section.

Fig. 3.5 Dependency of the tax quota and the tax revenues of China's corporate income tax on the evolution of the tax rate

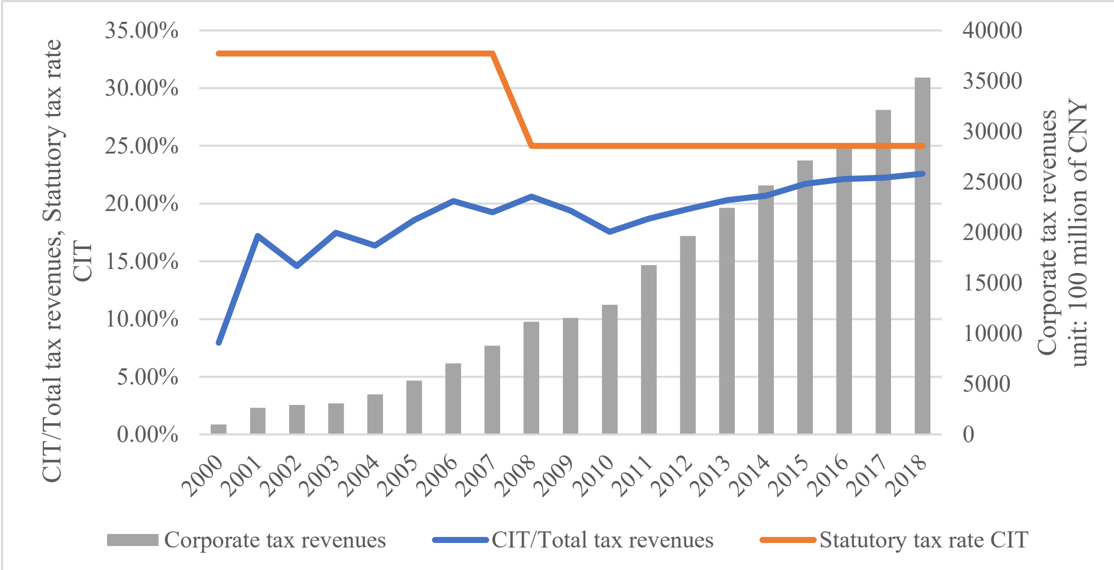


Source: National Bureau of Statistics of China

From Fig. 3.3, we can see that the statutory tax rate of CIT was changed in 2008, before the tax rate is 33%, and since 2008, the tax rate is 25%. During this period, the tax quota and the CIT as the percentage of total tax revenues are almost showed the same trend. From 2000 to 2008, both of them are shown as an upward, and from 2008 to 2010, are shown as a downward, since 2010, have the increased trend.

And then we put the corporate tax revenues in the chart to identify the impact of CIT on total tax revenues. We can see that the corporate tax revenues are increased year by year since 2000. And before 2008, the CIT as percentage of total tax revenues are fluctuating very often, and also have a large range of change. And after 2008, the CIT rate changed to 25%, the CIT/Total tax revenues are more stable. In 2018, the corporate tax revenues have the maximum value which is CNY 3,532.37 trillion, and the CIT as percentage of total tax revenues also have the maximum number which is 22.95%.

Fig. 3.6 Dependence of tax quota and corporate income tax rate on tax revenue in China



Source: National Bureau of Statistics of China

3.5.8 Withholding Tax

Dividends paid to non-resident companies are subject to a 10% withholding tax, which is reduced from the 20% statutory tax rate, unless the tax rate is reduced under the tax treaty. In order to further promote foreign investment in China, the government has issued a stipulation that, from January 1, 2017, the withholding tax will be deducted from dividends and profits that will be allocated to foreign investors and reinvested in China.

The 10% withholding tax reduced from the 20% statutory tax rate usually applies to interest paid to non-residents, unless the tax rate is reduced according to the tax treaty. During the period from November 7, 2018 to November 6, 2021, foreign institutional investors' income from the Chinese bond market may be exempt from income tax.

A withholding tax that is reduced by 10% from the 20% statutory tax rate applies to royalties paid to non-residents, unless the tax rate is reduced in accordance with the tax treaty. A 6% VAT is usually applied, but it can be waived when royalties are paid for the transfer of qualified technology.

The technical service fee paid to non-residents is based on the net profit of the services provided in China, and the statutory profit rate (i.e. 25%) is subject to the statutory enterprise, unless the tax is reduced according to the tax treaty.

3.5.9 Tax Payment and Tax Return

The tax year starts on January 1 and ends on December 31.

The annual corporate income tax return, the audited financial statements issued by certified public accountants registered in China, and the annual report form for related party transactions shall expire within five months after the end of the tax year. Companies must liquidate all outstanding tax liabilities during the same period.

In addition, companies must submit quarterly provisional corporate income tax returns within 15 days of the end of each quarter and pay temporary taxes based on actual profits. If it is difficult for an enterprise to submit a temporary tax return based on actual quarterly profits, it can be taxed based on the estimated profit. Estimated profits are usually calculated by reference to one quarter of the actual taxable profits of the previous year. Otherwise, it will be calculated according to other methods approved by the tax office.

Delayed submission or late payment will result in a 0.05% surcharge per day and, if appropriate, 50% to 500% of the unpaid tax liability.

From January 1, 2015, the administrative approval requirements for tax incentives have been cancelled and replaced by a record submission mechanism.

3.6 Basic Information about India

Republic of India, referred to as India. Located in South Asia, it is the largest country in the South Asian subcontinent. The northeastern part of the territory borders Bangladesh, Nepal, Bhutan and China, the east is bordered by Myanmar, the southeast is across the sea from Sri Lanka, and the northwest is bordered by Pakistan. It faces the Bay of Bengal in the east and the Arabian Sea in the west, with a coastline of 5,560 kilometers.

India is the second most populous country in the world and one of the BRICS countries. India's economic industry is diversified, covering agriculture, crafts, textiles and services.

The official languages are Hindi and English. The capital is New Delhi and the currency is the Indian Rupee (INR). New Delhi is the political, economic and cultural center of all of India and a railway and aviation hub.

The first-level administrative region in the administrative division of India includes 28 states and 9 federal territories.

India is one of the fastest growing countries in the world, and its economic growth rate is eye-catching.

Tab. 3.15 Basic information about India in 2018

Population	1,352.62 million	Area	2.98 million km²
Currency	INR	Inflation	4.86%
Unemployment (Youth)	10.42%	Tax revenues	269.384 billion US dollar (2017)
GDP	2.726 trillion US dollar, 2,015.59 US dollar per capita		

Source: World Bank

3.6.1 Corporate Income Tax in India

For tax purposes, a domestic company is defined as a company incorporated in India. The definition also includes companies (foreign companies) incorporated outside India, provided that the company has made certain arrangements to declare and pay dividends in India. The Indian tax rate is specified by reference to domestic companies. Therefore, if a foreign company has made the necessary arrangements for the declaration and payment of dividends in India, it is possible to tax foreign companies at the rate applicable to domestic companies.

3.6.2 Taxpayer

Corporate entities that are responsible for paying corporate taxes in India include: Indian company limited companies, companies that earn income from India and use these revenues to operate, and permanently establish their own other foreign companies in India, and companies that has obtained the title of Indian resident for tax purposes only.

3.6.3 Place of Residency

Companies established in India and registered under the Indian Companies Act 2013 are referred to as “domestic companies”. If the management and control of the Indian branch are all located in India, then even a foreign company can be considered a domestic company.

As the name implies, in the case of a foreign company, a company located overseas rather than India is called a foreign company. Similarly, if part of the management and control of a foreign company is located outside of India, it is also called a foreign company.

Companies that reside in India should be taxed on their global income unless they are specifically exempt from tax. Companies that do not reside in India should pay Indian taxes on income from Indian sources and income earned in India.

Foreign-source income of a resident company is same like income with India, should be subject to corporation tax. Branches of foreign companies should be taxed as foreign companies.

3.6.4 Taxable Income

Taxes on company profits, including business/transaction income, passive income, and capital gains. Includes income generated by the indirect transfer of assets located in India. Normal operating expenses and other designated items can be deducted when calculating taxable income.

3.6.5 Determination of Income

The Income Tax Act provides for a special tax rate for the taxation of capital gains. Gains derived from the “transfer” of “capital assets” should be taxed as capital gains and treated as income in the current year. India's tax treatment of capital gains depends on whether the income is long-term or short-term. If the asset is held for more than 3 years (one year for listed stocks and specific securities, and two years for unlisted stocks), the proceeds are considered long-term gains. Long-term capital gains on listed stocks and specific securities should be taxed at a rate of 10% (without the benefits from indexation income). Other long-term gains on the benefit of indexation should be taxed at 20%. The short-term capital gains of listed stocks and specific securities subject to securities transaction tax (STT) are taxable at 15%. Other short-term capital gains should be taxed at the normal rate.

For the sale of stocks and mutual funds that are not subject to STT, and the capital gains arising from the transfer of capital assets of non-designated securities, the following are capital gains tax rates (excluding applicable surcharges and cess).

Tab. 3.16 Capital gains tax rates in India

Taxpayer	Short-term capital gains rate	Long-term capital gains rate
Domestic companies	25% or 30%	20%
Foreign Institutional Investors (FIIs)	30%	10%
Nonresidents other than FIIs	40%	20%

Source: 2019 Worldwide Corporate Tax Guide India

Dividends paid by domestic companies shall be subject to a Dividend Distribution Tax (DDT) of 15% of the total dividends declared, distributed or paid. The DDT that is cope with must be accumulated. The effective rate is 20.5553%%, which includes a 12% surcharge and a 4% health and education tax. Dividends subject to DDT are usually tax-free in the hands of the recipient. Subsidiaries located in the International Financial Services Center are not required to pay DDT for any dividends declared after April 1, 2017. The DDT paid is a non-deductible fee.

Loans and advances issued by a close holding company to a specific person are eligible to be treated as DDT dividends paid by the company (rather than shareholders or stakeholders) at a tax rate of 34.94% (30% basis rate plus 12% surcharge plus 4% cess). This applies to loans and advances issued after fiscal year 2018-19.

Under the premise of meeting the prevailing conditions, dividends paid by domestic companies (dividends that can levy DDT) can be deducted from dividends received from subsidiaries whose subsidiaries have paid DDT.

The total dividend received by a local company from a particular foreign company (a foreign company with 26% or more of the shares) shall be taxed at a preferential rate of

15% (plus applicable surcharges and cess).

Dividends received by Indian companies from foreign companies holding more than 50% of their shares in foreign companies can offset the dividends paid by the Indian company to the shareholders who will pay DDT, subject to conditions.

The income of Indian companies' branches outside India should be taxed at the normal rate.

Interest income should normally be taxed under the category “income from other sources”. If it is related to the taxpayer's business, it can be used as business income.

3.6.6 Determination of Expenditure

In general, all business-related expenses are deductible (except for exempt income). The specified expenses are only allowed to be used by payment basis, and some of them are only allowed if the relevant taxes are withheld. Specific income is allowed if it comes from wage income, housing property income, capital gains, and income from other sources.

Capital losses can be offset. Short-term capital losses can offset short-term capital gains or long-term capital gains. However, long-term capital losses can only offset long-term capital gains. Capital losses can be carried forward for up to 8 years. Other losses may be carried forward in accordance with the relevant provisions of the Act.

Loss caused by business loss, excluding depreciation of unabsorbed undepreciated business assets, can be carried forward in the next eight years to offset the taxable income generated by the business, provided that the annual income tax return for the loss is timely submitted.

Unabsorbed depreciation can be carried forward indefinitely to offset the taxable income for subsequent years.

For all types of property, including “household property” losses for self-occupation, rental or rental, it is eligible to deduct 200,000 INR from other types of income. The balance of unabsorbed losses can be carried forward for eight years.

Depreciation is calculated using the declining balance method and allows the asset class to be used. The depreciation rate varies by asset class.

Tab. 3.17 Depreciation of CIT in India with Declining balance method

Asset	Rate (%)
Plant and machinery	15
Motor buses, motor lorries and motor taxis used in a rental business	30
Motor cars other than those used in the business of running them on hire	15
Buildings	10
Furniture and fittings	10

Source: 2019 Worldwide Corporate Tax Guide India

Depreciation of intangible assets (such as proprietary technology, patents, copyrights, trademarks, licenses, concessions, or other similar commercial rights) is also permitted. These projects use the balance reduction method to depreciate at a rate of 25%.

Companies engaged in power generation or power generation and distribution can choose to use straight-line depreciation at a specified rate.

Any interest paid by the taxpayer for capital borrowed for taxpayer's business or professional purposes is tax-exempt without any restrictions. However, if such interest is paid to certain related company (non-resident Associated Enterprise), interest expenses will be limited to 30% of income before interest, depreciation, amortization and taxes. Excessive interest expenses that are not allowed in that year can be carried forward for eight years and can be offset.

Unless payment is due before the filing date of the income tax return, taxes (other than income tax, dividend distribution tax and wealth tax, which are not deductible expenses), duties, bonuses, vacation pay and reserves for financial institutions and term bank loans that are accrued are not deductible. If payment is not made before the filing date of the income tax return, it can only be deducted in the actual year of payment.

Under certain conditions, any charitable donation made by the company to any charitable organization can be used as deductible expenses. Depending on the nature of the charity, the tax relief ranges from 50% to 100% of charitable donations. However, deductions cannot be made for cash contributions exceeding INR 2,000.

Before the bad debts are written off against bad debts, the general reserve for suspicious transaction debt cannot be deducted, but for non-performing assets, banks and financial institutions can get some relief.

Loans converted into loans, borrowings or prepayments, interest payable on borrowings or prepayments shall not be deducted for tax purposes.

For companies engaged in specific businesses and research associations, universities, etc. in internal R & D institutions approved by the designated competent authority, 150% of the expenditure can be deducted by weight. From the 2019/20 tax year, such weighted deductions will be limited to 100% of expenditure. Payments made to an accredited research association engaged in social science or statistical research, or to an Indian company that uses the company for scientific research, may deduct 100% of the payment.

Companies can choose for 10 consecutive years in the first 15 years of the tax holiday (and in some cases 10 years in 20 years). This tax holiday does not apply to companies or businesses that are merged or split.

3.5.7 Tax Rate

The basic tax rate for Indian companies is 30%, plus appropriate surcharges (7% or 12%) and cess (4%), with a tax rate of 30.90%, 33.06% or 34.61%. New companies that are established and registered on or after March 1, 2016, who are engaged in the manufacture or production of products or articles and research on such items or items, may choose a preferential tax rate of 25%. Long-term capital gains are taxed at a special rate.

Tab. 3.18 Tax rate of CIT in India

Type of Company	Corporate Tax Rate	Surcharge on Net Income		
		Less than INR 10 million	Greater than INR 10 million and less than INR 100 million	Greater than INR 100 million
Domestic with annual turnover up to INR 25 billion	25%	0	7%	12%
Domestic Company with turnover more than INR 25 billion	30%	0	7%	12%
Foreign Companies	40%	0	2%	5%

Source: 2019 Worldwide Corporate Tax Guide India

From the 2017-18 fiscal year, carbon credit transfer income shall be taxed at 10% of the total amount (plus applicable surcharges and cess) and no such expenses or subsidies may be imposed on such income.

The IBT applies if the company's tax on the company's total income is less than 18.5% of its book profits under the Income Tax Act. The tax rate is based on 18.5% of book profit plus applicable surcharges and tax rates (for domestic companies, surcharges are 7% or 12%, for foreign companies 2% or 5%, and cess is imposed the rate of 4%). If the unit located in the International Financial Services Center only earns income through convertible foreign exchange, the preferential tax rate of 9% is used instead of the 18.5% tax rate.

3.6.8 Withholding Tax

There is no withholding tax on dividends, and dividends declared by Indian companies are tax-free for all shareholders.

The withholding tax rate is 2% for equipment rental, and 10% for rental payments.

The basic withholding tax rate for royalties/technical service fees (FTS) paid to nonresidents is 10% (subject to certain conditions).

Tab. 3.19 Withholding tax with payments to resident companies in India

Type of payment	Rate (%)
Dividends	0
Interest	10
Commissions from sales of lottery tickets	5
Other specified commissions	5
Payments to contractors	2
Rent	2 or 10
Income from lotteries and horse races	30
Professional and technical service fees	10
Royalties	10
Payments of compensation to residents for the compulsory acquisition of certain immovable property	10
Payment of consideration for transfer of immovable property	1

Source: 2019 Worldwide Corporate Tax Guide India

Tab. 3.20 Withholding tax with payments to nonresident companies in India

Type of payment	Rate (%)
Dividends	0
Interest on foreign-currency loans	20
Royalties and technical services fees	10
Rent	40
Income from lotteries and horse races	30
Long-term capital gains other than exempt gains	20
Other income	40

Source: 2019 Worldwide Corporate Tax Guide India

A surcharge of 2% or 5% is imposed on the above withholding tax (applicable to payments of more than INR 10 million or INR 100 million to foreign companies) and 4% cess of taxes.

Indian companies repaying unlisted shares are subject to a 20% repurchase tax, plus a 12% surcharge and a 4% cess. The effective tax rate is 23.29%. The tax is calculated based on the difference between the stock repurchase price and the price of the issued stock received by the company. The money received is tax-free in the hands of shareholders.

3.6.9 Tax Payment and Tax Return

The Indian fiscal year is from April 1 to March 31. All companies must submit tax returns by September 30 or November 30. The tax will be paid in advance on June 15th, September 15th, December 15th and March 15th. Any tax payable balance must be paid on or before the date the tax return is filed. If the return is submitted late, the loss of the fiscal year is not allowed.

Non-residents with a liaison office in India must submit a statement in the prescribed format within 60 days of the end of the fiscal year.

4. Comparison of Corporate Income Tax in the Specific Situations

This chapter focuses on comparing different aspects of corporate taxation between Hong Kong, Taiwan, Korea, Singapore, China and India.

4.1 Taxpayer

There are a wide variety of taxpayers for corporate income tax in all of the countries and regions listed above, and in many cases are the same, but there is also some diversification. Each country and region distinguish between resident and non-resident companies in terms of corporate income taxpayers. And the below table shows the types of taxpayer of CIT.

Tab. 4.1 Taxpayers of CIT in Hong Kong, Taiwan, Korea and Singapore

Hong Kong	Taiwan
➢ Public limited liability company ➢ Private limited liability company ➢ Partnership ➢ Sole proprietorship ➢ Branch office of foreign corporation ➢ Representative office of foreign corporation	➢ Unlimited company ➢ Unlimited company with limited liability shareholders ➢ Limited company ➢ Company limited by shares ➢ Foreign branch ➢ Representative office
Korea	**Singapore**
➢ Stock corporation ➢ Limited liability company ➢ Branch of foreign corporation ➢ Liaison office	➢ Public limited liability company ➢ Private limited liability company ➢ Partnership ➢ Sole proprietorship ➢ Branch of foreign corporation

Source: PWC, Own processing

Tab. 4.2 Taxpayers of CIT in China and India

China	India
➢ Pure domestic enterprise	➢ Public limited liability company
➢ Holding company	➢ Private limited liability company
➢ Equity joint venture	➢ One-person company
➢ Cooperation joint venture	➢ Partnership firm
➢ Domestic partnership	➢ Limited liability partnership
➢ Wholly foreign-owned enterprise	➢ Sole proprietorship
➢ Foreign invested partnership	➢ Branch office
➢ Branch office	➢ Liaison office
➢ Representative office	➢ Project office or site office of foreign corporation
➢ Trust	

Source: PWC, Own processing

From Tab. 4.1 and 4.2, we can see that only Hong Kong, Singapore and India charge corporate income tax for sole proprietorship. In China, the sole proprietorship needs to pay personal income tax instead of corporate income tax.

Chinese corporate income tax has the largest number of types of taxpayers, and Korean corporate income tax has the fewest number of types of taxpayers. In order to balance regional development and promote high-tech development, China has many preferential tax policies for enterprises, and for some special types of corporation, China has some different tax rates.

4.2 Place of Residency

As far as residency is concerned, the principle is always based on the same logical basis, but for India, it has some differences.

Tab. 4.3 Place of residency of CIT in selected countries and regions

Hong Kong	Taiwan
➢ Companies incorporated in Hong Kong ➢ Companies that are normally managed or controlled/centrally managed and controlled in Hong Kong	➢ Companies incorporated in Taiwan
Korea	**Singapore**
➢ Companies have its head office or principal office in Korea ➢ Companies with a place of effective management in Korea	➢ Companies incorporated in Hong Kong ➢ Companies that are centrally managed and controlled in Singapore
China	**India**
➢ Companies incorporated in China ➢ Companies with a place of effective management in China	➢ Companies are Indian company ➢ Companies' control and management of their affairs are situated wholly in India.

Source: PWC, Own processing

Companies incorporated in Hong Kong, and companies that are usually managed or controlled / centrally managed and controlled in Hong Kong are generally considered Hong Kong tax residents.

If the company is incorporated in Taiwan, it is a resident of Taiwan for corporate income tax purposes.

The head office or head office in Korea is a resident company. Companies that have an effective place of management in Korea are also considered resident companies.

In Singapore, a company's tax residency is determined by the central management and control of its business. Usually, this is where the directors meet to exercise actual control.

Enterprises established in China are always residents. Foreign companies with effective management sites in China are also considered residents.

For India, an India company regardless of whether control is in India, it is considered as resident. Even if the non-resident shareholders have more than 51% voting rights in an India company, it is also considered as resident. However, if the control and management part of a partnership, limited liability partnership, and other non-personal entities is in India, it is considered an Indian resident. If their control and management is located entirely outside India, they are non-residents.

4.3 Taxable Income

The determination of taxable income is basically the same for each country. And the following table shows the taxable income for each country or region.

Tab. 4.4 Taxable income of CIT in selected countries and regions

Hong Kong	Taiwan
➢ Hong Kong-source profits, which is Hong Kong-source income deducting the expenses incurred in production of profits.	➢ Net income, which is defined as total annual income after deducting of cost and expenses, losses and taxes.
Korea	Singapore
➢ Book net income after adjusted with the differences between accounting and tax rules.	➢ Income generated in or derived from Singapore and foreign remitted or deemed to be remitted to Singapore.
China	India
➢ Total income for the tax year after deducting non-taxable income, tax-exempt income, various deductions and allowable losses carried forward from the previous year.	➢ Company's profit, which consist of business/ trading income, passive income and capital gain.

Source: PWC, Own processing

For Hong Kong and Singapore, the company need to find the income source, if the income is domestic source, and then this amount of income need be taxed. However, the foreign remitted or deemed to be remitted to Singapore is taxed, Hong Kong is not taxed with the foreign-source income, whether or not remitted to Hong Kong. Income from different sources needs to be calculated separately. And the profits and losses from different territorial sources cannot offset each other. That means the foreign source loss cannot decrease the domestic profits.

For the other countries and regions, the taxable income is generally the net income or accounting profit after adjusted with the various tax deduction, the difference between accounting and tax rules and so on. Companies need to adjust taxable income based on tax requirements.

4.4 Tax-exempt Income

There are some differences between the accounting and tax rules. And that means there may be some income does not taxable for corporate income tax. And those income could decrease the tax base.

Tab. 4.5 Tax-exempt income of CIT in selected countries and regions

Hong Kong	Taiwan
➢ Gains from realization of capital assets or receipts that are capital in nature. ➢ Dividend. ➢ Interest income from any deposit placed by financial institution in Hong Kong. ➢ Unrealized exchange loss. ➢ Foreign-source income.	➢ Capital gains on disposal of Taiwanese securities and futures. ➢ Dividend received by resident company shareholder from resident investee companies.
Korea	**Singapore**
➢ It has not been mentioned.	➢ Capital gains. ➢ Dividends in the hands of the recipient ➢ Interest income which is not foreign remitted or deemed to be remitted.
China	**India**
➢ Unrealized loss (only is actually disposed or realized). ➢ Dividend derived by a tax resident company from direct investment into another tax resident company. ➢ Unrealized exchange loss.	➢ Dividend income received from India companies.

Source: PWC, Own processing

From above table, we can see that Hong Kong has the largest number of items for tax-exempt income, and Korea has the fewest number of tax-exempt income items. And except Hong Kong and Singapore, the other four countries and regions are worldwide tax system, and that means the resident company need pay the CIT for all source of income.

The unrealized loss and unrealized exchange loss can deduct the tax base, on the other hand, the unrealized gain and unrealized exchange gain need be taxed as CIT.

For Hong Kong financial institutions, the interest income is not applicable for tax exempt.

For Taiwan resident companies, the capital gains on disposal of Taiwan securities and futures are not taxed with CIT, however for non-resident companies, only with fixed place of business or business agent in Taiwan can enjoy this exempt policy. And this amount of capital gain needs to pay income basic tax with 12% tax rate, and it also has an exemption amount NTD 500,000.

Korea taxed all kinds of income for CIT and taxed the worldwide income. To avoid the double tax, the tax levied by a foreign government on foreign source income recognized by a resident company can be used as a credit against corporate income tax or as a deductible expense for calculating taxable income.

4.5 Expenditure

Due to different accounting and taxation rules, there are some expenses that cannot be considered as the expenditure for the tax purpose. And some expenses can be deducted with the higher amount of its value. The following tables show some basic items of the expenses.

Tab. 4.6-8 show the expenses of tax loss, start-up expenses R&D, interest expense, bas debt, donation, and fine and penalties in selected countries and regions.

Tab. 4.6 Expenditure of CIT in Hong Kong and Taiwan

	Hong Kong	Taiwan
Loss	▪ Carry forward indefinitely, not carried back.	▪ Carry forward 10 years, not carry back.
Start-up expense	▪ Non deductible	▪ Deductible
R&D	▪ Type A: for all expenses can be deducted 100%. ▪ Type B: for the first HKD 2 million can be deducted 300%, and the rest can be deducted 200%.	▪ R&D tax credits are available for up to 15% of qualified R&D expenses incurred (not exceed 30% of tax payable).
Interest expense	▪ Deductible	▪ Deductible (only for business purpose)
Bad debt	▪ Deductible	▪ Actual loss can be deducted
Donation	▪ Deductible (in cash, higher than HKD 100 but not exceed 35 % of assessable profits).	▪ Deductible
Fines and penalties	▪ Non deductible	▪ Non deductible

Source: PWC, Own processing

From Tab. 4.6, we can see that in Hong Kong the start-up expenses and fines and penalties are not tax deductible items and in Singapore only fines and penalties are not deductible.

Tab. 4.7 Expenditure of CIT in Korea and Singapore

	Korea	Singapore
Loss	▪ Carry forward for 10 years, but cannot exceed 60% of taxable income. ▪ Carry back for one year (only for SMEs).	▪ Carry forward indefinitely, ▪ Carried back for one year.
Start-up expense	▪ Deductible	▪ Non deductible
R&D	▪ Tax credits for eligible R&D expenditures for 0-2% (8% for medium scale companies, 25% for SMEs) of current R&D expenses. ▪ 25% (40% for medium scale companies, 25% for SMEs) of the increase in R&D expenses.	▪ Tax deduction of 250% of qualifying R&D expenditure carried out in Singapore. ▪ Deduction of 100% of qualifying R&D expenditure carried out overseas.
Interest expense	▪ Deductible (loans used for business purposes)	▪ Deductible
Bad debt	▪ Deductible (for non-financial institutions)	▪ Deductible
Donation	▪ Deductible (limited amount, not exceed 10%/50% of taxable income, the amount of exceed part can be carry forward for 5 years).	▪ Deductible with 250% of the value of donation.
Fines and penalties	▪ Non deductible	▪ Non deductible

Source: PWC, Own processing

As Tab. 4.7 shows, in Korea only the fines and penalties are not tax deductible, and in Singapore the start-up expenses and fines and penalties are non deductible items.

Tab. 4.8 Expenditure of CIT in China and India

	China	India
Loss	▪ Carry forward for 5 years (10 years for high-tech companies and small and medium-sized science companies), not carry back.	▪ Carry forward for 8 years, not carry back.
Start-up expense	▪ Deductible	▪ Deductible
R&D	▪ Deductible 100% for all expenses, and expenses used for new technology, new products, or new craftsmanship can have an extra 75% as tax incentive.	▪ Deductible
Interest expense	▪ Deductible	▪ Deductible
Bad debt	▪ Deductible (when it actual occurred).	▪ Deductible (which has been written off)
Donation	▪ Deductible (up to 12% of annual accounting profits, and any excess amount can be carried forward for in following 3 years).	▪ Deductible with tax deductibility ranges from 50% to 100%, but donation in cash exceed INR 2,000 cannot be deducted.
Fines and penalties	▪ Non deductible	▪ Non deductible

Source: PWC, Own processing

From Tab. 4.8, we can see that in China and India only the fines and penalties are tax non deductible item.

In Hong Kong, the expenses for organizational and start-up expenses are not tax deductible, because the expenses are considered as the capital or equity. In Taiwan, the start-up costs during the start-up period can be deducted in the year in which they occur. In Korea, the start-up expenses, such as salary of founders, incorporation expenses, and registration fees and taxes which are recorded and paid in accordance with the company's articles of association, are deductible. In Singapore, generally, expenses incurred before commencement of business are not tax deductible. However, most businesses can deduct expenses incurred during the 12 months preceding the fiscal year in which the business received its first transaction income. In China, organizational and start-up expenses are tax deductible fully in the first year of operation. In India, one-fifth of start-up expenses can be deducted annually for five years.

The R&D expenses can be deducted in all countries and regions, but the deduction rates are different. In Hong Kong, under the new R & D tax deduction system, there are two types of qualified R & D expenditures, namely type A expenditure and type B expenditure. Type B expenditure refers to the cost of subcontracting "qualified R & D activities" to "designated local research institutions" and employee-related expenses and consumables from internally qualified R & D activities. Interest paid to overseas cannot be deducted.

The interest expenses generally can be fully deducted in all countries and regions, but in Taiwan and Korea only the interests from loans for business purpose can be deducted.

The bad debt in all countries and regions can be deducted but with some conditions. In Taiwan, the bad debt, when it actual occurred, can be deducted. First of all, the loss should be deducted from the bad debt reserve. The bad debt reserve must not exceed 1% of the accounts receivable and bills receivable, or the actual average bad debt ratio in the past three years. And in Korea, only for non financial institutions can deduct the bad debt. In China and India, only the bad debt really occurred or has been written off can be deducted.

The donation can be deducted in all countries and regions, and in all countries and regions, the fines and penalties are non tax deductible expenses.

4.5.1 Depreciation

The tax depreciation is different from accounting depreciation. And it could change the tax base. Tax depreciation also varies in these selected countries and regions. As each country and region has different items for asset depreciation, the tables below contains a comparison of the items contained in each country and region.

Tab. 4.9 Comparison of Depreciation in Hong Kong, Taiwan, Korea and Singapore

	Hong Kong	Taiwan
Industrial building	▪Initial allowance: 20% ▪Annual allowance: 4% or formula	▪5 to 35 years
Commercial building	▪4% or formula	▪10 to 50 years
Plant and machinery	▪Initial allowance: 60% ▪Annual allowance:10%, 20%, 30%	▪2 to 20 years
Motor vehicle	▪30%	▪3 to 18 years
Furniture, fitting or fixture	▪20%	▪3 to 5 years
Goodwill	▪Non deductible	▪15 years
	Korea	Singapore
Industrial building	▪20 or 40 years	▪50 years ▪2%
Commercial building	▪20 or 40 years	▪50years ▪2%
Plant and machinery	▪5 to 20 years ▪45.1% to 14% (declining-balance method)	▪10 years ▪10%
Motor vehicle	▪5 years ▪45.1% (declining-balance method)	▪5 years ▪20%
Furniture, fitting or fixture	▪5 years ▪45.1% (declining-balance method)	▪10 years ▪10%
Goodwill	▪5 years	▪Non deductible for acquisition

Source: EY, Own processing

From Tab. 4.9, we can see that all those countries and regions are use the straight-line method to calculate the deprecation, only Korea could use the declining-balance method to calculate some items.

And for Hong Kong, the goodwill is considered as capital in nature, and it is not tax depreciation. And for Singapore, the payments for acquisition of goodwill are considered as capital in nature and also cannot be deducted.

Tab. 4.10 Comparison of Depreciation in China and India

	China	India
Industrial building	▪ 20 years	▪ 10% (declining balance method)
Commercial building	▪ 20 years	▪ 10% (declining balance method)
Plant and machinery	▪ 10 years	▪ 15% (declining balance method)
Motor vehicle	▪ 4 years	▪ 15% (declining balance method)
Furniture, fitting or fixture	▪ 10 years	▪ 10% (declining balance method)
Goodwill	▪ Not less than 15 years	▪ 25% (declining balance method)

Source: EY, Own processing

From Tab. 4.10, we can see that China use the straight-line method with useful life and India use declining balance method.

4.6 Tax Rate

The tax rate is a very important part in CIT, and it differs greatly in different countries and regions.

Some countries and regions use progressive tax rates, and some countries and regions use a single tax rate. And there is also some other tax rate exist for the companies in some countries and regions.

The table below shows the comparison of tax rate in selected countries and regions.

Tab. 4.11 Tax rate in selected countries and regions

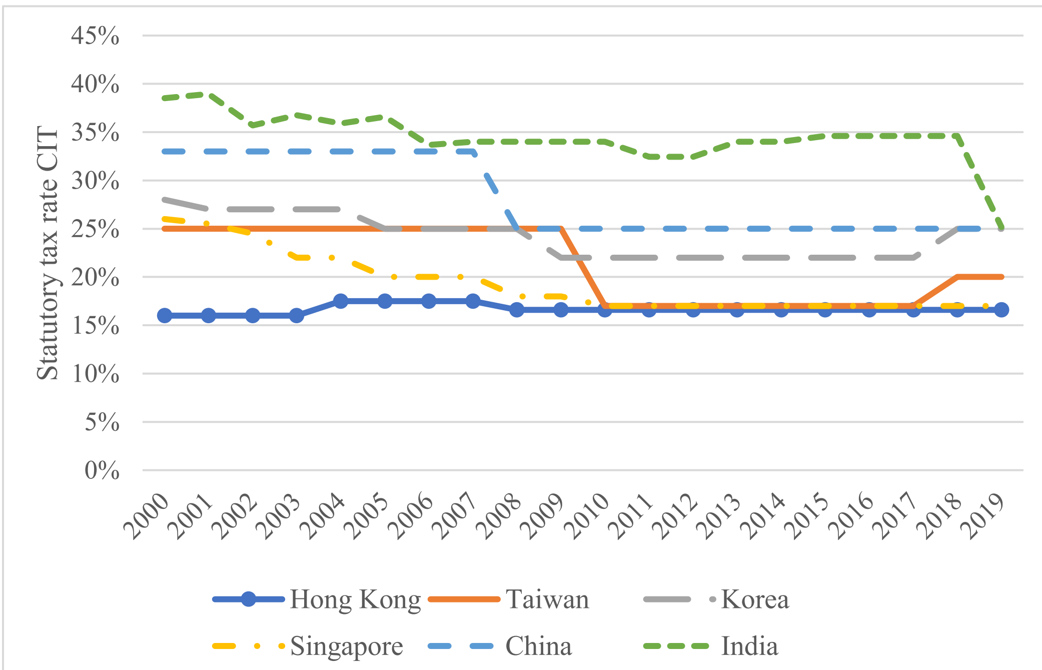
	Hong Kong	Taiwan
Tax rate	Multiple	Single
Nominal tax rate	16.5%	20%
Other tax rate	▪ Stamp duty—0.2% (charged on transfer of Hong Kong stock ▪ Business registration fees (for every residents and non-residents who carried on business, annual basis or every three years with a payment)	▪ Profit retention tax—5% (Current earnings of companies that remain undistributed by the end of the second year.) ▪ Income basic tax—12% (for basic income is an amount calculated according to a formula prescribed by the government, with a deduction of NTD 500,000).
	Singapore	China
Tax rate	Single	Single
Nominal tax rate	17%	25%
Other tax rate	No	▪ A lower CIT rate is available for some sectors and industries—10%/15%
	Korea	India
Tax rate	Multiple	Multiple
Nominal tax rate	25%	25%/30%
Other tax rate	▪ Additional tax on corporate income—10% (for companies whose net assets exceed KRW 50 billion (excluding SMEs)) ▪ Local income tax (surtax)—1% for first KRW 200 million, 2% for the tax base between KRW 200 million and KRW 20 billion, 2.2% for the tax base between KRW 20 billion and KRW 300 billion, and 2.5% for the excess.	▪ Surcharge—10% ▪ Health and education cess—4% ▪ Tonnage tax scheme (qualifying ship)—INR 70 for each 100 tons (up to 1,000); INR 700 + INR 53 of each 100 tons exceeding 1,000 tons (1,000-10,000); INR 5,470 + INR 42 of each 100 tons exceeding 10,000 tons (10,000-25,000); INR 11,770 + INR 29 of each 100 tons exceeding 25,000 tons (>25,000)

Source: PWC, Own processing

From the Tab. 4.11, we can see that only Singapore do not apply any additional tax for corporation. And China has some special tax rate for some specific sectors and industries, and the mostly tax rate is 10% or 15%. The main aim for this is to support the development of some new industries, high technology and reduce regional development disparities.

And the following figure is the statutory tax rate of CIT in selected countries and regions. Hong Kong's tax rate not change a lot from 2000 to 2019, during this period, Hong Kong changed the tax rate twice—in 2004 change it from 16% to 17% and at 2008 changed it to 16.5%. Taiwan also change the tax rate twice—in 2010 change it from 25% to 17%, at 2018 increased it to 20%. Korea decreased the tax rate from 28% to 27% in 2001, and decreased it again at 2005 to 25%. And in 2009, the tax rate decreased at 22%, and in 2018 increased at 25%. Singapore decreased the tax rate sixth times during 2000 to 2019 from 26% to 17%. China decreased the tax rate from 33% to 25% in 2008. India changed a lot, and the tax rate shows a downward trend.

Fig. 4.1 Statutory tax rate CIT for selected countries and regions



Source: Trading Economics, own processing

4.7 Withholding Tax

In this chapter, we will compare the withholding tax in the selected countries and regions. And usually the withholding tax including the interest, dividend, royalty and branch remittance.

Tab. 4.12 Withholding tax in selected countries and regions

	Hong Kong	Taiwan
Dividend	There is no withholding tax	▪ Paid to residents—0 ▪ Paid to non-resident companies and individuals—21%
Interest	There is no withholding tax	▪ Paid to resident companies—10% ▪ Paid to resident individuals—10% ▪ Paid to nonresident companies and individuals—15%/20%
Royalty	▪ Paid to companies—4.95%/16.5% ▪ Paid to individuals—4.5%/15%	▪ Paid to resident companies and individuals—10% ▪ Paid to nonresident companies and individuals—20%
Branch remittance	There is no withholding tax	There is no withholding tax
	Korea	Singapore
Dividend	There is no withholding tax	There is no withholding tax
Interest	14%	10%
Royalty	There is no withholding tax	15%
Branch remittance	Not applicable	Not applicable
	China	India
Dividend	10%	0%
Interest	10%	▪ Paid to domestic companies—10% ▪ Paid to foreign companies—20%
Royalty	10%	10%
Branch remittance	There is no withholding tax	There is no withholding tax
Technical services fees	Not applicable	10%

Source: Own processing

From above table, we can see that the branch remittance is not included in withholding tax in Korea and Singapore, and only in India the withholding tax including the technical services fees. And for Taiwan, the withholding tax paid to resident and nonresident has different rates. In India, the interest paid to domestic and foreign companies has the different withholding tax rate.

4.8 Tax Return and Tax Payment

After assessing tax obligations, the component of each company activity is to file a tax return and pay taxes on its own. Therefore, the following table compares tax returns and tax payments in selected countries and regions.

Tab. 4.13 Tax return and tax payment in selected countries and regions

	Hong Kong	Taiwan
Tax return	▪ Submit tax return on the first working day of April each year	▪ Submit tax return no later than five months after the end of the tax year.
Tax payment	▪ Usually in two instalments ▪ Between November of the year in which the return is issued and April of the following year	▪ In two instalments ▪ The first payment based on 50% of the tax liability of the prior year's tax return and in the ninth month of the enterprise's fiscal year. ▪ The second payment is made at the time of filing the annual tax return.
	Korea	Singapore
Tax return	▪ Submit tax return on the first six months of the fiscal year	▪ Submit tax return electronically within three months of the end of the accounting period
Tax payment	▪ >KRW 10 million, pay in instalments within one month of the date of the expiration of the payment period (two months for SMEs) ▪ Between KRW 10 million and KRW 20 million, pay in instalment for exceed KRW 10 million ▪ >KRW 20 million, 50% or less of the tax amount may be paid in instalments	▪ Assessed tax is payable within one month after the service of the notice of assessment
	China	India
Tax return	▪ Submit the annual tax return within five months after the end of the tax year ▪ Submit quarterly provisional corporate income tax returns within 15 days of the end of each quarter	▪ Must be submitted electronically on or before September 30 of the next tax year ▪ Revise the file-only up to 31 March of the year following the tax year or before the completion of assessment, whichever is earlier.
Tax payment	▪ Pay annual tax payment within five months after the end of the tax year ▪ Pay provisional income taxes within 15 days following the end of each quarter.	▪ Pay in advance on June 15th, September 15th, December 15th and March 15th.

Source: PWC, own processing

As Tab. 4.13 shows, tax return and tax payment are different in time and amount for the selected countries and regions.

4.9 Model Example

In this subchapter, a comparison method is used to determine the tax base, and then based on the actual example of the example company, the tax burdens of Hong Kong, Taiwan, Korea, Singapore, China and India are determined separately. And this example forces on the important differences in selected countries and regions.

For the convenience of subsequent calculations, the representative company is always a resident company in that country or region. Because the currencies of these countries and regions are not unified, they are converted to US dollars. The exchange rate used is data as of January 1, 2019. The following table lists the exchange rates.

Tab. 4.13 Exchange rate in January 1, 2019

Country/Region	Exchange rate
Hong Kong (Hong Kong dollar)	7.8315 HKD/USD
Taiwan (New Taiwan dollar)	30.5681 NTD/USD
Korea (South Korean won)	1121.3052 KRW/USD
Singapore (Singapore dollar)	1.3685 SGD/USD
China (Chinese yuan)	6.853 CNY/USD
India (Indian rupee)	69.9786 INR/USD

Source: www.qqjjsj.com

Input model example

The structure of model example has been influenced by relevant available data. The company generated a profit of USD 500,000 during the tax period from January 1, 2019 to December 31, 2019. In order to calculate corporate income tax, it is necessary to adjust this result through various items. And in this example, these items are referred to as those that affect the increase of the tax base, affect the reduction of the tax base, and do not affect the tax base. Increase of the tax base means that this item considered as the cost in accounting profit, but not the cost of taxes. So, the item could increase the tax base. Items affecting decreasing tax base means that the items are the tax deductible and not including in the accounting profit that could decrease the tax base. In case of items not affecting tax base state that they are expenses which are part of accounting profit and not is necessary to adjust accounting profit because of them.

During the tax period, the following information about the company is known:

1. Accounting depreciation is USD 23,564 (for tangible assets is USD 22,850, intangible assets is USD 714).
2. Received a dividend of USD 1,000 from a related residual company (holds less than 30% of shares). And those dividends are included in the accounting profits.
3. The bad debts with USD 1,000 are irrecoverable, and there are accounts receivable with USD 200,000.
4. The total salary of the employee is USD 262,500 (USD 10,000 for disabled employees) and the provisions for retirement funds is USD 6,500.
5. It had a tax loss of USD 20,000 in 2013 and has not been carried forward since.
6. Donate USD 2000 to charity in cash.
7. R & D expenses incurred by new technologies are USD 50,000.
8. Have received a loan of USD 100,000 from a capital-related company for a period of 7 years, and the interests is USD 2,500 per year. At the end of the 7th year need repay the principle.
9. Spend USD 3,000 to meet a business partner and USD 3,000 to celebrate business anniversary.
10. The company was fined USD 400 for improper operations. And this is included in accounting profits and the tax authority penalized this tax subject.
11. The company invested in an environment protection project in 2016, with a total investment of USD 30,000. And company didn't use the tax credit yet. In this year, this project started to earn income, the total income is USD 2,500 which included

in the profit. There are countries and regions don't use specific tax regime of this situation, such as Hong Kong, Taiwan, Singapore and India.

The company owns an industrial building with an initial price of USD 100,000 and a useful life of 20 years. The company depreciates it for fifth year. And company also owns a commercial building with an initial price of USD 130,000 and its useful life is 20 years. Now this building is the seventh year of depreciation. The company acquired computers (one computer = USD 500) in the beginning of 2018, with a useful life of 3 years and total amount is USD 3,000. Those computers are the second year of depreciation. Company also acquired fixed assets (one machine = USD 15,000) with a useful life of 10 years and total amount is USD 75,000. Now it's the fourth year for depreciation. The company also owns some furniture and fixtures with useful life of 10 years. And those assets cost USD 9,000 and the company depreciates them for fourth year. Company also had motor cars (one car = USD 2,600) with total amount USD 7,800. And its useful life is 4 years and now it is the second year of depreciation. The value of company's goodwill is USD 5,000, and depreciation period is 7 years, and company depreciates it for the third year.

4.9.1 Calculation of Corporate Income Tax in Hong Kong

In order to determine the tax base, it is necessary to adjust the tax base through various items that it increases or decreases the tax base.

Because tax depreciation and accounting depreciation are different, accounting depreciation needs to be listed as an item that affects the increase in tax base, and tax depreciation is listed as an item that affects the reduction of tax base.

Fines and penalties for violating various tax laws are usually not deductible. But the fine is the part of cost included in the accounting profit. That means the fine could increase the tax base.

In Hong Kong, the representation cost cannot be deductible, so this item increases the tax base. And fines are also not tax deductible.

To avoid double taxation, Hong Kong does not tax dividend in the hands of the recipients. And this dividend already in the accounting profit, so this item can decrease the tax base.

Bad debts that have deteriorated during the base period can be deducted even if the debt may have matured and become payable within an earlier period. The bad debts with USD 1,000 are irrecoverable, so this amount can decrease the tax base.

In Hong Kong, the operating loss can be carried forward unlimited, the loss can deduct the tax base.

The first HKD 2 million of R&D expenditures can be deducted by 300%, and the rest can be deducted by 200%. USD 50,000 is equal to HDK 391,575, and it is not exceeding HDK 2 million. That means the R&D expenditures can be deducted by 300%, this item can decrease the tax base with USD 100,000.

Deductions can be made if the employer's periodic/ordinary contributions to a mandatory provident fund scheme or a recognized occupational retirement scheme do not exceed 15% of the employee's total salary during the relevant period. But this part already included in profit as cost. So, it cannot affect tax base.

For donation, the amount not less than HKD 100 and not exceed 35% of adjusted assessable profit before deduction of donations can be deducted when calculating assessable profits. The donation has been included as a cost in the profit, so this item cannot affect the tax base.

In Hong Kong the interest expenses can be deducted. If overseas recipients are not required to pay Hong Kong profits tax on interest income, the company (creditor) generally cannot deduct interest expenses paid to overseas recipient, whether related or unrelated party. And this interest expenses are the part of cost included in the profit, that means this item cannot affect the tax base.

Tab. 4.15 Calculation of corporate income tax in Hong Kong

		USD	HKD
Profit		500,000	3,915,750
Items Affecting Increased Tax Base	Accounting depreciation	23,564	184,544
	Representation cost	6,000	46,989
	Fine	400	3,133
	Sum of items affecting the increase in TB	29,964	234,665
Items Affecting Decreased Tax Base	Tax depreciation	21,740	170,257
	Dividend	1,000	7,832
	Provision for bad debt	1,000	7,832
	Tax loss	20,000	156,630
	R&D	100,000	783,150
	Sum of items affecting the decrease in TB	143,740	1,125,700
Items not Affecting Tax Base	Provision for retirement funds	6,500	50,905
	Donation	2,000	15,663
	Interest	2,500	11,747
	Sum of items not affecting TB	11,000	86,147
Basis of tax after affecting items		386,224	3,024,715
CIT		63,727	499,078
Tax on a separate tax base		0	0
Total tax		63,727	499,078
Disposable profit		436,273	3,416,672
Effective tax rate		12.75%	12.75%

Source: Own processing

4.9.2 Calculation of Corporate Income Tax in Taiwan

In Taiwan, it is necessary to adjust the income and expense of various items that increase or decrease the tax base in a similar manner to Hong Kong. The accounting depreciation increased the tax base and the tax depreciation decreased the tax base.

Fines and penalties for violating various tax laws are usually not deductible. But the fine is the part of cost included in the accounting profit. That means the fine could increase the tax base.

In Taiwan, dividends received by shareholders of resident companies from resident invested companies are not included in taxable income. So, the dividends from a related residual company (holds less than 30% of shares) are not taxable income. That decrease the tax base.

The actual loss on bad debts can be deducted. This part is not including in the accounting profit in this year. The irrecoverable bad debts with USD 1,000 could decrease the tax base.

The operating loss can be carried forward 10 years that mean the loss in 2013 can be deducted. And that decreased the tax base.

In Taiwan, the resident company can deduct up to 200% of eligible R&D expenditures with that year. So, the USD 50,000 of R&D expenses can decrease the tax base with USD 50,000.

Provisions for a retirement fund approved by the authorities are deductible in amounts up to 15% of the total payroll. And in the company, the amount of provision of retirement fund is USD 6,500 which is lower than 15% of total payroll which is USD 262,500. And this part is already included in accounting profit, it cannot affect the tax base.

Donation can be deducted in full but not exceed 10% of profits. And that means the donation with USD 2,000 can be fully deducted, however, it already included in the profit, and that cannot affect the tax base. And same for interest expenses.

In Taiwan, the representation cost can be deducted if it not exceeding the criteria. The details in chapter 3.2.6. And for company, this cost is in the profit, so, it cannot affect the tax base.

Tab. 4.16 Calculation of corporate income tax in Taiwan

		USD	NTD
Profit		500,000	15,284,050
Items Affecting Increased Tax Base	Accounting depreciation	23,564	720,315
	Fine	400	12,227
	Sum of items affecting the increase in TB	23,964	732,543
Items Affecting Decreased Tax Base	Tax depreciation	21,317	651,610
	Dividend	1,000	30,568
	Provision for bad debt	1,000	30,568
	Tax loss	20,000	611,362
	R&D	50,000	1,528,405
	Sum of items affecting the decrease in TB	93,317	2,852,523
Items not Affecting Tax Base	Provision for retirement funds	6,500	198,693
	Donation	2,000	61,136
	Interest	2,500	76,420
	Representation cost	1,000	30,568
	Sum of items not affecting TB	12,000	366,817
Basis of tax after affecting items		430,648	13,164,079
CIT		86,130	2,632,816
Tax on a separate tax base		0	0
Total tax		85,830	2,623,645
Disposable profit		413,870	12,651,234
Effective tax rate		17.23%	17.23%

Source: Own processing

4.9.3 Calculation of Corporate Income Tax in Korea

For Korea, it is necessary to adjust the income and expense of various items that increase or decrease the tax base in a similar manner to Hong Kong and Taiwan. The accounting depreciation increased the tax base and the tax depreciation decreased the tax base.

Fines and penalties are usually not deductible. However, the fine is the part of cost included in the accounting profit. That means the fine could increase the tax base.

The dividend needs to pay the tax and it not match the criteria of tax deduction. And it included in the profit and cannot adjustment of tax base.

Bad debts can be deducted, which is based on the 1% of book value of the accounting receivable at the end of the period. And for the company, it can decrease the tax based with USD 2,000.

Tax loss can be carried forward for 10 years and it doesn't exceed 60% of tax income, that means the tax loss in 2013 can decrease the tax base.

The donation can be deductible

The R&D expenditures can be deduced with 8% of total amount for medium scale company as tax credit. And that means the R&D expenses could decrease the tax base with USD 4,000.

If a resident enterprise invests in any environmental conservation project (excluding invests in used goods) no later than December 31, 2021, the CIT can be deducted by 3% (5% for medium scale companies and 7% for SMEs) of the investment amount. And the unused tax credit can be carried forward for five years. So, the company can decrease the tax base with USD 1,500 which is 5% for total investment expenses.

The provision for retirement can be deducted only after paying. So, it means that the provision will be the cost included in the profit which cannot affect the tax base.

Generally, interest expenses are tax deductible. And interest charge is the part of accounting profit. That means this item cannot affect the tax base.

The representation cost can be fully deducted unless exceed the criteria (the details shown on chapter 3.3.6). And that cost is included in the profit. It cannot affect the tax base.

And in Korea, the company need to pay a surtax.

Tab. 4.17 Calculation of corporate income tax in Korea

		USD	KRW
Profit		500,000	560,652,600
Items Affecting Increased Tax Base	Accounting depreciation	23,564	26,422,756
	Fine	400	448,522
	Sum of items affecting the increase in TB	23,964	26,871,278
Items Affecting Decreased Tax Base	Tax depreciation	24,700	27,696,374
	Provision for bad debt	2,000	2,242,610
	Tax loss	20,000	22,426,104
	R&D	4,000	4,485,221
	Environment protection project	1,500	1,681,958
	Sum of items affecting the decrease in TB	52,200	58,532,267
Items not Affecting Tax Base	Dividend	1,000	1,121,305
	Provision for retirement funds	6,500	7,288,484
	Donation	1,000	1,121,305
	Interest	2,500	2,803,263
	Representation cost	1,000	1,121,305
	Sum of items not affecting TB	12,000	13,455,662
Basis of tax after affecting items		471,764	528,991,611
CIT		76,516	85,798,322
Tax on a separate tax base	Surtax	7,652	8,579,832
Total tax		84,168	94,378,155
Disposable profit		415,832	466,274,445
Effective tax rate		16.83%	16.83%

Source: Own processing

4.9.4 Calculation of Corporate Income Tax in Singapore

Same like the three country and regions, it is necessary to adjust the income and expense of various items that increase or decrease the tax base. The accounting depreciation increased the tax base and the tax depreciation decreased the tax base.

Fines and penalties are usually not deductible. And the representation cost is not deductible ether. Those two items are the costs included in the accounting profit. It means those items can increase the tax base.

Singapore dividends are tax free in the receiver's hands. So, the dividends are not taxed, and that means the dividends could decrease the tax base.

Losses may be carried forward indefinitely, and the losses from previous years are not included in the profit for current year. So, the loss could decrease the tax base.

For the donation, only if donated to a recognized donor in cash or other prescribed form. And the eligible donations are usually deducted by 250% of the donation value. That means the donation can decrease the tax base with USD 3,000.

The tax credit for R&D conducted in Singapore can be increased by 250% during the assessment year 2019 to 2025. And for the company, R&D expenses could decrease the tax base for USD 75,000.

In Singapore, usually the reserve for bad debt are not tax deductible, and same for the reserve of retirement. And those are not included in the profit and cannot affect the tax base.

And the interest expenses are usually deductible item for CIT. Because the interest expense already included in profit as cost, so, it cannot affect the tax base.

Tab. 4.18 Calculation of corporate income tax in Singapore

		USD	SGD
Profit		500,000	684,250
Items Affecting Increased Tax Base	Accounting depreciation	23,564	32,248
	Representation cost	6,000	8,211
	Fine	400	547
	Sum of items affecting the increase in TB	29,964	41,006
Items Affecting Decreased Tax Base	Tax depreciation	16,060	21,978
	Dividend	1,000	1,369
	Tax loss	20,000	27,370
	Donation	3,000	4,106
	R&D	75,000	102,638
	Sum of items affecting the decrease in TB	115,060	157,460
Items not Affecting Tax Base	Provision for bad debt	1,000	1,369
	Provision for retirement funds	6,500	8,895
	Interest	2,500	3,421
	Sum of items not affecting TB	10,000	13,685
Basis of tax after affecting items		414,904	567,797
CIT		70,534	96,525
Tax on a separate tax base		0	0
Total tax		70,534	96,525
Disposable profit		429,466	587,725
Effective tax rate		14.11%	14.11%

Source: Own processing

4.9.5 Calculation of Corporate Income Tax in China

The accounting depreciation increased the tax base and the tax depreciation decreased the tax base.

The interest expenses are not deductible when the interest paid between the business units of non-banking enterprises. Because the interest expense is the part of profit, it could increase the tax base.

Representation expenses incurred by an enterprise related to production and operation activities are deducted at 60% of the amount incurred. That means the 40% of total representation cost could increase the tax base.

The fine is nondeductible charge, and it included in the profit as cost. That means the fine increase the tax base.

The distribution of dividends from Chinese resident enterprises to another Chinese resident enterprise is not affected by Chinese corporate income tax. That means the dividend is not taxable income for the company but it included in the accounting profit. And that could decrease the tax base.

The wages paid by the disabled persons and other employed persons encouraged by the state may be deducted in 200% in the taxable income. It could decrease the tax base with USD 10,000.

R & D expenses incurred by new technologies can enjoy an addition 75% tax incentive in addition to the actual expenses. And that could decrease the tax base with USD 37,500.

For the income from the environment protection projects and energy/water conservative projects, the first three years are tax free and the fourth to sixth year enjoy 50% reduction of CIT. and that means the USD 2,500 could decrease the tax base.

Bad debt loss may be deductible in the tax year during which such loss is incurred, so the bad debt cannot affect the tax base.

The reserve of retirement cannot be deducted and excluded in the profit. It cannot affect the tax base.

The loss can be carried forward for five years that means the tax loss in 2013 will not affect the tax base. Because it not included in the profit for current year, it cannot affect the tax base.

The public welfare donation expenses incurred by the enterprise, which is within 12% of the total annual profit, are allowed to be deducted when calculating the taxable income. The donation with USD 2,000 can be deducted and it included in profit as the cost. The donation cannot affect the tax base.

Tab. 4.19 Calculation of corporate income tax in China

		USD	CNY
Profit		500,000	3,426,500
Items Affecting Increased Tax Base	Accounting depreciation	23,564	161,486
	Representation cost	2,400	16,447
	Fine	400	2,741
	Sum of items affecting the increase in TB	26,364	180,674
Items Affecting Decreased Tax Base	Tax depreciation	24,250	166,185
	Dividend	1,000	6,853
	Salary of disabled	10,000	68,530
	R&D	37,500	256,988
	Income from environment protection project	2,500	17,133
	Sum of items affecting the decrease in TB	75,250	515,688
Items not Affecting Tax Base	Provision for bad debt	2,000	13,706
	Provision for retirement funds	6,500	44,545
	Tax loss	20,000	137,060
	Donation	2,000	13,706
	Interest	1,500	10,280
	Sum of items not affecting TB	33,000	226,149
Basis of tax after affecting items		451,114	3,091,486
CIT		112,779	772,872
Tax on a separate tax base		0	0
Total tax		112,779	772,872
Disposable profit		387,221	2,653,628
Effective tax rate		22.56%	22.56%

Source: Own processing

4.9.6 Calculation of Corporate Income Tax in India

The accounting depreciation increased the tax base and the tax depreciation decreased the tax base.

Deductions cannot be made for cash donation exceeding INR 2,000. So, the donation in cash with USD 2,000 which is INR 139,957 is higher than INR 2,000. It cannot be deducted. Because it included in the profit, it increases the tax base.

For the representation cost is not included in tax deductible item. And it included in the profit as cost. So, it could increase the tax base.

Fine is also non deductible charge, and included in the profit. It could increase the tax base.

The dividends subject to DDT (details shown at chapter 3.6.5) are usually tax free in the hands of recipient. And the dividends are the profit for the company, so that can decrease the tax base.

Loss can be carried forward for 8 years, so the loss in 2013 can be deducted. That could decrease the tax base.

Before the bad debts are written off against bad debts, the general reserve for suspicious transaction debt cannot be deducted. The reserve for bad debt cannot affect the tax base because it not included in the profit.

The retirement reserve is not included in the tax exempt and excluded in the accounting profit. So, it cannot affect the tax base.

The R&D expense can be 100% deducted and it the part of cost included in profit. And that means it cannot affect the tax base.

The interest expense from the loan can be deducted. And it included in the profit. That means it cannot affect the tax base.

And India has the addition tax for CIT called surcharge.

Tab. 4.20 Calculation of corporate income tax in India

		USD	INR
Profit		500,000	34,989,300
Items Affecting Increased Tax Base	Accounting depreciation	23,564	1,648,996
	Donation	2,000	139,957
	Representation cost	6,000	419,872
	Fine	2,000	139,957
	Sum of items affecting the increase in TB	33,564	2,348,782
Items Affecting Decreased Tax Base	Tax depreciation	23,362	1,634,866
	Dividend	1,000	69,979
	Tax loss	20,000	1,399,572
	Sum of items affecting the decrease in TB	44,362	3,104,416
Items not Affecting Tax Base	Provision for bad debt	1,000	69,979
	Provision for retirement funds	6,500	454,861
	R&D	50,000	3,498,930
	Interest	2,500	174,947
	Sum of items not affecting TB	60,000	4,198,716
Basis of tax after affecting items		489,202	34,233,666
CIT		122,300	8,558,416
Tax on a separate tax base	Surcharge	34,244	2,396,357
Total tax		156,545	10,954,773
Disposable profit		343,455	24,034,527
Effective tax rate		31.31%	31.31%

Source: Own processing

4.9.7 Summary of Model Example Results for Individual Companies

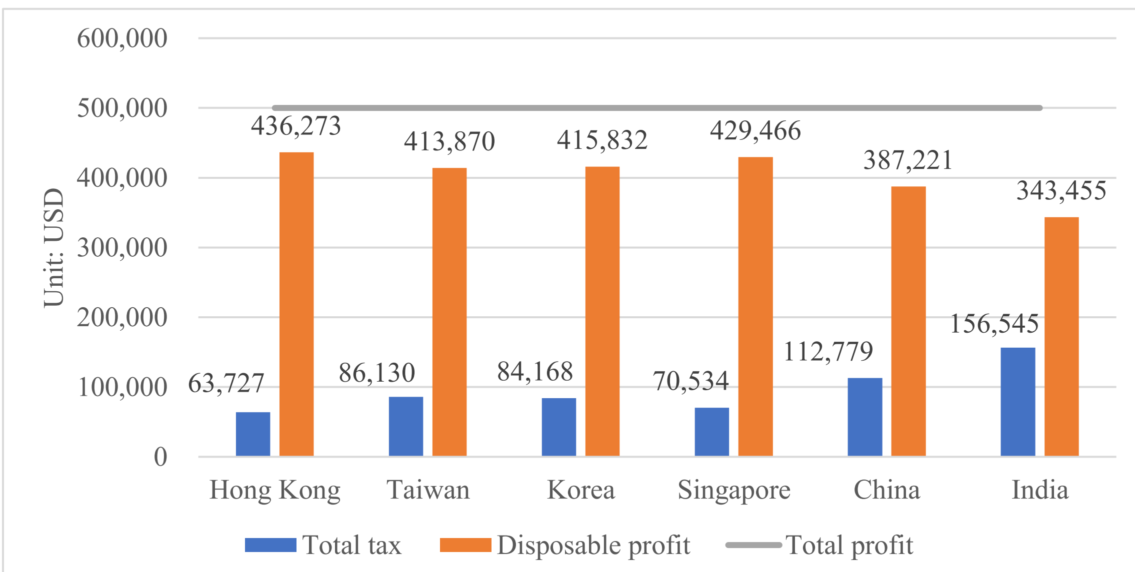
For clarity, below table shows the results of each country's (or region's) total tax, disposable profit and effective tax rate, converted to the US dollar and the national currency of each country (or region), respectively. As can be seen, the lowest tax burden is in Hong Kong, followed by Singapore, followed by Taiwan, followed by Korea, Followed by China and the India being the last.

4.21 Comparison of results of model example in individual countries

	Total tax		Disposable profit		Tax rate	
	USD	National currency	USD	National currency	Effective	Statutory
Hong Kong	63,727	499,078	436,273	3,416,672	12.75%	16.5%
Taiwan	86,130	2,632,816	413,870	12,651,234	17.23%	20.0%
Korea	84,168	94,378,155	415,832	466,274,445	16.83%	25.0%
Singapore	70,534	96,525	429,466	587,725	14.11%	17.0%
China	112,779	772,872	387,221	2,653,628	22.56%	25.0%
India	156,545	10,954,773	343,455	24,034,527	31.31%	25.17%

Source: Own processing

Fig. 4.2 Comparison of results of model example in individual countries



Source: Own processing

According to the calculation of model example, India has the highest effective tax rate and Hong Kong has the lowest effective tax rate. The main reason for the India's high effective tax rate is the high corporate income tax and surcharge. The statutory tax rate is the minimum tax rate of CIT. And the normal tax rate in India is 25% or 30% and plus the surcharge. And India’s law defines a small number of items affecting the reduction of the tax base, such as expenditure on research and development, a donation to a charitable institution, as well as various reserves. Compare with China, India has the same tax rate but it also has an addition surcharge for tax. And the India has the lowest tax deductions for R&D expenses.

Taiwan and Korea have similar effective tax rate but the statutory tax rates are very different. The main reason is that the 25% of statutory tax rate in Korea is the maximum rate. Korea use the progressive tax rate, for the lower profit the tax rate is pretty lower. For the first KRW 200 million the tax rate is only 10%, even plus the surtax 1% is still a very low tax rate.

The tax depreciation has a greater impact on the tax base. Because of the difference depreciation methods, depreciation periods and depreciation rates, the tax depreciations are difference in difference countries and regions. Singapore has the lowest tax depreciation which is USD 16,060, and Korea has the largest tax depreciation which is USD 24,700.

Another important difference in this model is tax loss. In those six countries and regions, the tax loss has different years and amount to carry forward. Hong Kong and Singapore could carry forward indefinitely, Taiwan and Korea could carry forward for ten years, India could carry forward for eight years, and China could only carry forward for five years. That means in our model, only China couldn’t carry forward the tax loss in 2013. And the tax loss could decrease tax base for USD 20,000.

And the R&D expenses are also important for the calculation of tax. In India, R&D expenses only 100% deductible, and in Hong Kong, the first HKD 2 million of R&D can be deducted 300%, and that means in our model, company in Hong Kong R&D expenses could decrease tax base with USD 100,000, and in India R&D expenses cannot affect the tax base. And those two amounts have a large difference.

5. Conclusion

The main goal of the thesis was to compare corporate income tax in selected countries and regions, gradually in Hong Kong, Taiwan, Korea, Singapore, China and India.

The thesis was divided into five chapters, the first and fifth chapters are introduction and conclusion. The second chapter gave a theoretical introduction, which more clearly described the characteristics, functions, classification, design elements of taxation, and a basic description of corporate income tax. And the theoretical introduction is necessary to understand the context in the following chapters.

In Chapter 3, the legislative provisions of corporate income tax in the selected countries and regions are described, and the establishment of a tax base is described in detail. The knowledge gained through this description is an integral part of the fourth chapter.

The following fourth chapter was a practical part of the thesis, focusing on the comparison of individual structural elements of corporate income tax among the selected countries and regions.

At the end of the fourth chapter, the tax base and consequently the tax liability of the model company are set out with the help of a practical example. The model example shows that Hong Kong taxpayers have the lowest tax obligations, followed by Singapore, followed by Korea, followed by Taiwan, followed by China, and finally India. The main reason for the India's high effective tax rate is the high corporate income tax and surcharge. And India's law defines a small number of items affecting the reduction of the tax base, such as R&D expenses, a donation to a charitable institution, as well as various reserves.

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List of Abbreviations

APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh, China, India and Myanmar
BRICS	Brazil, Russia, India, China and South Africa
CIA	Central Intelligence Agency
CIR	Commission of Inland Revenue
CIT	Corporate Income Tax
CITL	Corporate Income Tax Law
CJV	Sino-foreign cooperative ventures
CNY	Chinese Yuan (Chinese currency)
DB	Fixed benefit
DC	Fixed contribution
DDT	Dividend Distribution Tax
DRD	Dividend Received Deduction
EJV	Sino-foreign joint ventures
FIE	Foreign Investment Enterprises
FIFO	First in first out
GDP	Gross Domestic Product
G20	Group of Twenty
HK	Hong Kong
HKD	Hong Kong Dollar
IBT	Income Basic Tax
INR	Indian Rupee
INO	Inland Revenue Ordinance
IP	Intellectual property
KRW	Korean won

LCM	Lower of cost or market
LG	Lucky-Goldstar
MAS	Monetary Authority of Singapore
NOL	Net operating loss
NTD	New Taiwan Dollar
OECD	Organization for Economic Cooperation and Development
PECC	Pacific Economic Cooperation Council
PIT	Personal Income Tax
R&D	Research and Development
SCO	Shanghai Cooperation Organization
SGD	Singapore Dollar
SII	Industry Innovation Regulation
SMEs	Small and Medium Size Enterprises (Companies)
STT	Securities transaction tax
USD	United States dollar
VAT	Value Added Tax
WFOE	Wholly foreign-owned enterprises
YA	Year of assessment

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Ostrava dated 15. 04. 2020

Bolin Shang

Students' name and surname

List of Annexes

Annexes

Annexes 1 Development of the tax rate, tax quota and total tax revenue in Korea

Year	Statutory tax rate CIT	CIT/GDP	CIT/Total tax revenues	Corporate tax revenues (mil. USD)
2000	28%	3.03%	14.12%	11,598
2001	27%	2.67%	12.26%	9,091
2002	27%	2.80%	12.76%	10,606
2003	27%	3.47%	15.28%	14,698
2004	27%	3.13%	14.25%	14,652
2005	25%	3.59%	15.93%	19,822
2006	25%	3.37%	14.30%	20,692
2007	25%	3.73%	15.05%	26,149
2008	25%	3.93%	15.95%	24,248
2009	22%	3.41%	14.35%	18,522
2010	22%	3.23%	13.81%	21,241
2011	22%	3.72%	15.40%	26,748
2012	22%	3.69%	14.89%	26,854
2013	22%	3.39%	13.95%	25,742
2014	22%	3.16%	12.85%	25,079
2015	22%	3.30%	13.12%	25,275
2016	22%	3.58%	13.64%	28,531
2017	22%	3.83%	14.24%	33,461
2018	25%	4.47%	15.73%	41,992

Annexes 2 Development of the tax rate, tax quota and total tax revenue in Singapore

Year	Statutory tax rate CIT	CIT/GDP	CIT/Total tax revenues	Corporate tax revenues (mil. SGD)
2000	26%	5.51%	37.11%	9,509
2001	25.5%	5.24%	35.93%	8,684
2002	25%	4.39%	34.63%	7,447
2003	22%	3.71%	29.81%	6,409
2004	22%	3.66%	31.56%	7,512
2005	20%	3.87%	33.44%	8,589
2006	20%	3.87%	32.71%	9,428
2007	20%	3.83%	29.85%	10,934
2008	18%	4.63%	33.67%	12,696
2009	18%	3.52%	27.20%	9,961
2010	17%	3.44%	26.91%	11,260
2011	17%	3.54%	27.02%	12,450
2012	17%	3.62%	26.66%	13,360
2013	17%	3.43%	25.83%	13,209
2014	17%	3.48%	25.66%	13,887
2015	17%	3.37%	25.61%	14,253
2016	17%	3.27%	24.49%	14,378
2017	17%	4.24%	29.85%	19,810

Annexes 3 Development of the tax rate, tax quota and total tax revenue in China

Year	Statutory tax rate CIT	CIT/GDP	CIT/Total tax revenues	Corporate tax revenues (bil. CNY)
2000	33%	1.00%	7.95%	99.96
2001	33%	2.37%	17.19%	263.09
2002	33%	2.40%	14.58%	291.95
2003	33%	2.24%	17.48%	308.28
2004	33%	2.45%	16.38%	395.73
2005	33%	2.85%	18.57%	534.39
2006	33%	3.21%	20.23%	703.96
2007	33%	3.25%	19.24%	877.93
2008	25%	3.50%	20.61%	1,117.56
2009	25%	3.31%	19.38%	1,153.68
2010	25%	3.12%	17.54%	1,284.35
2011	25%	3.44%	18.69%	1,676.96
2012	25%	3.65%	19.53%	1,965.45
2013	25%	3.78%	20.29%	2,242.72
2014	25%	3.83%	20.68%	2,464.22
2015	25%	3.94%	21.72%	2,713.39
2016	25%	3.87%	22.13%	2,885.14
2017	25%	3.86%	22.25%	3,211.73
2018	25%	3.84%	22.59%	3,532.37

Annexes 4 Statutory tax rate of CIT in selected countries and regions

Year	Hong Kong	Taiwan	Korea	Singapore	China	India
2000	16%	25%	28%	26%	33%	38.5%
2001	16%	25%	27%	25.5%	33%	38.95%
2002	16%	25%	27%	25%	33%	35.7%
2003	16%	25%	27%	22%	33%	36.75%
2004	17.5%	25%	27%	22%	33%	35.88%
2005	17.5%	25%	25%	20%	33%	36.59%
2006	17.5%	25%	25%	20%	33%	33.66%
2007	17.5%	25%	25%	20%	33%	33.99%
2008	16.6%	25%	25%	18%	25%	33.99%
2009	16.6%	25%	22%	18%	25%	33.99%
2010	16.6%	17%	22%	17%	25%	33.99%
2011	16.6%	17%	22%	17%	25%	32.44%
2012	16.6%	17%	22%	17%	25%	32.45%
2013	16.6%	17%	22%	17%	25%	33.99%
2014	16.6%	17%	22%	17%	25%	33.99%
2015	16.6%	17%	22%	17%	25%	34.61%
2016	16.6%	17%	22%	17%	25%	34.61%
2017	16.6%	17%	22%	17%	25%	34.61%
2018	16.6%	20%	25%	17%	25%	34.61%
2019	16.6%	20%	25%	17%	25%	25.17%

Annexes 5 Accounting depreciation for the countries and regions under review

Industrial buildings			
Year	begin	depreciation	end
1	100000	5000	95000
2	95000	5000	90000
3	90000	5000	85000
4	85000	5000	80000
5	80000	5000	75000
6	75000	5000	70000
7	70000	5000	65000
8	65000	5000	60000
9	60000	5000	55000
10	55000	5000	50000
11	50000	5000	45000
12	45000	5000	40000
13	40000	5000	35000
14	35000	5000	30000
15	30000	5000	25000
16	25000	5000	20000
17	20000	5000	15000
18	15000	5000	10000
19	10000	5000	5000
20	5000	5000	0

Commercial buildings			
Year	begin	depreciation	end
1	130000	6500	123500
2	123500	6500	117000
3	117000	6500	110500
4	110500	6500	104000
5	104000	6500	97500
6	97500	6500	91000
7	91000	6500	84500
8	84500	6500	78000
9	78000	6500	71500
10	71500	6500	65000
11	65000	6500	58500
12	58500	6500	52000
13	52000	6500	45500
14	45500	6500	39000
15	39000	6500	32500
16	32500	6500	26000
17	26000	6500	19500
18	19500	6500	13000
19	13000	6500	6500
20	6500	6500	0

Computers			
Year	begin	depreciation	end
1	3000	1000	2000
2	2000	1000	1000
3	1000	1000	0

Motor cars			
Year	begin	depreciation	end
1	7800	1950	5850
2	5850	1950	3900
3	3900	1950	1950
4	1950	1950	0

Machines			
Year	begin	depreciation	end
1	75000	7500	67500
2	67500	7500	60000
3	60000	7500	52500
4	52500	7500	45000
5	45000	7500	37500
6	37500	7500	30000
7	30000	7500	22500
8	22500	7500	15000
9	15000	7500	7500
10	7500	7500	0

Furniture and fixtures			
Year	begin	depreciation	end
1	9000	900	8100
2	8100	900	7200
3	7200	900	6300

Goodwill			
Year	begin	depreciation	end
1	5000	714	4286
2	4286	714	3571
3	3571	714	2857

Annexes 6 Tax depreciation for Hong Kong under review

Commercial buildings			
Year	begin	depreciation	end
1	130000	5200	124800
2	124800	5200	119600
3	119600	5200	114400
4	114400	5200	109200
5	109200	5200	104000
6	104000	5200	98800
7	98800	5200	93600
8	93600	5200	88400
9	88400	5200	83200
10	83200	5200	78000
11	78000	5200	72800
12	72800	5200	67600
13	67600	5200	62400
14	62400	5200	57200
15	57200	5200	52000
16	52000	5200	46800
17	46800	5200	41600
18	41600	5200	36400
19	36400	5200	31200
20	31200	5200	26000
21	26000	5200	20800
22	20800	5200	15600
23	15600	5200	10400
24	10400	5200	5200
25	5200	5200	0

Computers			
Year	begin	depreciation	end
1	3000	900	2100
2	2100	900	1200
3	1200	900	300

Motor cars			
Year	begin	depreciation	end
1	7800	2340	5460
2	5460	2340	3120
3	3120	2340	780

Industrial buildings			
Year	begin	depreciation	end
1	100000	20000	80000
2	80000	4000	76000
3	76000	4000	72000
4	72000	4000	68000
5	68000	4000	64000
6	64000	4000	60000
7	60000	4000	56000
8	56000	4000	52000
9	52000	4000	48000
10	48000	4000	44000
11	44000	4000	40000
12	40000	4000	36000
13	36000	4000	32000
14	32000	4000	28000
15	28000	4000	24000
16	24000	4000	20000
17	20000	4000	16000
18	16000	4000	12000
19	12000	4000	8000
20	8000	4000	4000
21	4000	4000	0

Machines			
Year	begin	depreciation	end
1	75000	45000	30000
2	30000	7500	22500
3	22500	7500	15000
4	15000	7500	7500
5	7500	7500	0

Furniture and fixtures			
Year	begin	depreciation	end
1	9000	1800	7200
2	7200	1800	5400
3	5400	1800	3600
4	3600	1800	1800
5	1800	1800	0

Tangible	21740	Total	21740

Annexes 7 Tax depreciation for Taiwan under review

Commercial buildings			
Year	begin	depreciation	end
1	130000	4333	125667
2	125667	4333	121333
3	121333	4333	117000
4	117000	4333	112667
5	112667	4333	108333
6	108333	4333	104000
7	104000	4333	99667
8	99667	4333	95333
9	95333	4333	91000
10	91000	4333	86667
11	86667	4333	82333
12	82333	4333	78000
13	78000	4333	73667
14	73667	4333	69333
15	69333	4333	65000
16	65000	4333	60667
17	60667	4333	56333
18	56333	4333	52000
19	52000	4333	47667
20	47667	4333	43333
21	43333	4333	39000
22	39000	4333	34667
23	34667	4333	30333
24	30333	4333	26000
25	26000	4333	21667
26	21667	4333	17333
27	17333	4333	13000
28	13000	4333	8667
29	8667	4333	4333
30	4333	4333	0

Goodwill			
Year	begin	depreciation	end
1	5000	333	4667
2	4667	333	4333
3	4333	333	4000
4	4000	333	3667
5	3667	333	3333
6	3333	333	3000
7	3000	333	2667
8	2667	333	2333
9	2333	333	2000
10	2000	333	1667
11	1667	333	1333
12	1333	333	1000
13	1000	333	667
14	667	333	333
15	333	333	0

Industrial buildings			
Year	begin	depreciation	end
1	100000	5000	95000
2	95000	5000	90000
3	90000	5000	85000
4	85000	5000	80000
5	80000	5000	75000
6	75000	5000	70000
7	70000	5000	65000
8	65000	5000	60000
9	60000	5000	55000
10	55000	5000	50000
11	50000	5000	45000
12	45000	5000	40000
13	40000	5000	35000
14	35000	5000	30000
15	30000	5000	25000
16	25000	5000	20000
17	20000	5000	15000
18	15000	5000	10000
19	10000	5000	5000
20	5000	5000	0

Motor vehicles and vessels			
Year	begin	depreciation	end
1	7800	1950	5850
2	5850	1950	3900
3	3900	1950	1950
4	1950	1950	0

Office equipment			
Year	begin	depreciation	end
1	11000	2200	8800
2	8800	2200	6600
3	6600	2200	4400
4	4400	2200	2200
5	2200	2200	0

Plant and machinery			
Year	begin	depreciation	end
1	75000	7500	67500
2	67500	7500	60000
3	60000	7500	52500
4	52500	7500	45000
5	45000	7500	37500
6	37500	7500	30000
7	30000	7500	22500
8	22500	7500	15000
9	15000	7500	7500
10	7500	7500	0

Tangible	20983
Total	21317

Annexes 8 Tax depreciation for Korea under review

Commercial buildings			
Year	begin	depreciation	end
1	130000	18200	111800
2	111800	15652	96148
3	96148	13461	82687
4	82687	11576	71111
5	71111	9956	61156
6	61156	8562	52594
7	52594	7363	45231
8	45231	6332	38898
9	38898	5446	33453
10	33453	4683	28769
11	28769	4028	24742
12	24742	3464	21278
13	21278	2979	18299
14	18299	2562	15737
15	15737	2203	13534
16	13534	1895	11639
17	11639	1629	10010
18	10010	1401	8608
19	8608	1205	7403
20	7403	1036	6367

Industrial buildings			
Year	begin	depreciation	end
1	100000	14000	86000
2	86000	12040	73960
3	73960	10354	63606
4	63606	8905	54701
5	54701	7658	47043
6	47043	6586	40457
7	40457	5664	34793
8	34793	4871	29922
9	29922	4189	25733
10	25733	3603	22130
11	22130	3098	19032
12	19032	2664	16367
13	16367	2291	14076
14	14076	1971	12105
15	12105	1695	10411
16	10411	1457	8953
17	8953	1253	7700
18	7700	1078	6622
19	6622	927	5695
20	5695	797	4897

Office equipment			
Year	begin	depreciation	end
1	11000	4961	6039
2	6039	2724	3315
3	3315	1495	1820
4	1820	821	999
5	999	451	549

Motor vehicles			
Year	begin	depreciation	end
1	7800	3518	4282
2	4282	1931	2351
3	2351	1060	1291
4	1291	582	709
5	709	320	389

Plant and machinery			
Year	begin	depreciation	end
1	75000	26025	48975
2	48975	16994	31981
3	31981	11097	20883
4	20883	7247	13637
5	13637	4732	8905
6	8905	3090	5815
7	5815	2018	3797
8	3797	1318	2480
9	2480	860	1619
10	1619	562	1057

Goodwill			
Year	begin	depreciation	end
1	5000	1000	4000
2	4000	1000	3000
3	3000	1000	2000
4	2000	1000	1000
5	1000	1000	0

Tangible	23700
Total	24700

Annexes 9 Tax depreciation for Singapore under review

Commercial buildings			
Year	begin	depreciation	end
1	130000	2600	127400
2	127400	2600	124800
3	124800	2600	122200
4	122200	2600	119600
5	119600	2600	117000
6	117000	2600	114400
7	114400	2600	111800
8	111800	2600	109200
9	109200	2600	106600
10	106600	2600	104000
11	104000	2600	101400
12	101400	2600	98800
13	98800	2600	96200
14	96200	2600	93600
15	93600	2600	91000
16	91000	2600	88400
17	88400	2600	85800
18	85800	2600	83200
19	83200	2600	80600
20	80600	2600	78000
21	78000	2600	75400
22	75400	2600	72800
23	72800	2600	70200
24	70200	2600	67600
25	67600	2600	65000
26	65000	2600	62400
27	62400	2600	59800
28	59800	2600	57200
29	57200	2600	54600
30	54600	2600	52000
31	52000	2600	49400
32	49400	2600	46800
33	46800	2600	44200
34	44200	2600	41600
35	41600	2600	39000
36	39000	2600	36400
37	36400	2600	33800
38	33800	2600	31200
39	31200	2600	28600
40	28600	2600	26000
41	26000	2600	23400
42	23400	2600	20800
43	20800	2600	18200
44	18200	2600	15600
45	15600	2600	13000
46	13000	2600	10400
47	10400	2600	7800
48	7800	2600	5200
49	5200	2600	2600
50	2600	2600	0

Industrial buildings			
Year	begin	depreciation	end
1	100000	2000	98000
2	98000	2000	96000
3	96000	2000	94000
4	94000	2000	92000
5	92000	2000	90000
6	90000	2000	88000
7	88000	2000	86000
8	86000	2000	84000
9	84000	2000	82000
10	82000	2000	80000
11	80000	2000	78000
12	78000	2000	76000
13	76000	2000	74000
14	74000	2000	72000
15	72000	2000	70000
16	70000	2000	68000
17	68000	2000	66000
18	66000	2000	64000
19	64000	2000	62000
20	62000	2000	60000
21	60000	2000	58000
22	58000	2000	56000
23	56000	2000	54000
24	54000	2000	52000
25	52000	2000	50000
26	50000	2000	48000
27	48000	2000	46000
28	46000	2000	44000
29	44000	2000	42000
30	42000	2000	40000
31	40000	2000	38000
32	38000	2000	36000
33	36000	2000	34000
34	34000	2000	32000
35	32000	2000	30000
36	30000	2000	28000
37	28000	2000	26000
38	26000	2000	24000
39	24000	2000	22000
40	22000	2000	20000
41	20000	2000	18000
42	18000	2000	16000
43	16000	2000	14000
44	14000	2000	12000
45	12000	2000	10000
46	10000	2000	8000
47	8000	2000	6000
48	6000	2000	4000
49	4000	2000	2000
50	2000	2000	0

Motor cars			
Year	begin	depreciation	end
1	7800	1560	6240
2	6240	1560	4680
3	4680	1560	3120
4	3120	1560	1560
5	1560	1560	0

Machines			
Year	begin	depreciation	end
1	75000	7500	67500
2	67500	7500	60000
3	60000	7500	52500
4	52500	7500	45000
5	45000	7500	37500
6	37500	7500	30000
7	30000	7500	22500
8	22500	7500	15000
9	15000	7500	7500
10	7500	7500	0

Computers			
Year	begin	depreciation	end
1	3000	1000	2000
2	2000	1000	1000
3	1000	1000	0

Furniture and fixtures			
Year	begin	depreciation	end
1	9000	900	8100
2	8100	900	7200
3	7200	900	6300
4	6300	900	5400
5	5400	900	4500
6	4500	900	3600
7	3600	900	2700
8	2700	900	1800
9	1800	900	900
10	900	900	0

Goodwill			
Year	begin	depreciation	end
1	5000	500	4500
2	4500	500	4000
3	4000	500	3500
4	3500	500	3000
5	3000	500	2500
6	2500	500	2000
7	2000	500	1500
8	1500	500	1000
9	1000	500	500
10	500	500	0

Tangible	15560
Total	16060

Annexes 10 Tax depreciation for China under review

Commercial buildings			
Year	begin	depreciation	end
1	130000	6500	123500
2	123500	6500	117000
3	117000	6500	110500
4	110500	6500	104000
5	104000	6500	97500
6	97500	6500	91000
7	91000	6500	84500
8	84500	6500	78000
9	78000	6500	71500
10	71500	6500	65000
11	65000	6500	58500
12	58500	6500	52000
13	52000	6500	45500
14	45500	6500	39000
15	39000	6500	32500
16	32500	6500	26000
17	26000	6500	19500
18	19500	6500	13000
19	13000	6500	6500
20	6500	6500	0

Industrial buildings			
Year	begin	depreciation	end
1	100000	5000	95000
2	95000	5000	90000
3	90000	5000	85000
4	85000	5000	80000
5	80000	5000	75000
6	75000	5000	70000
7	70000	5000	65000
8	65000	5000	60000
9	60000	5000	55000
10	55000	5000	50000
11	50000	5000	45000
12	45000	5000	40000
13	40000	5000	35000
14	35000	5000	30000
15	30000	5000	25000
16	25000	5000	20000
17	20000	5000	15000
18	15000	5000	10000
19	10000	5000	5000
20	5000	5000	0

Computers			
Year	begin	depreciation	end
1	3000	1000	2000
2	2000	1000	1000
3	1000	1000	0

Motor cars			
Year	begin	depreciation	end
1	7800	1950	5850
2	5850	1950	3900
3	3900	1950	1950
4	1950	1950	0

Goodwill			
Year	begin	depreciation	end
1	5000	500	4500
2	4500	500	4000
3	4000	500	3500
4	3500	500	3000
5	3000	500	2500
6	2500	500	2000
7	2000	500	1500
8	1500	500	1000
9	1000	500	500
10	500	500	0

Furniture and fixtures			
Year	begin	depreciation	end
1	9000	1800	7200
2	7200	1800	5400
3	5400	1800	3600
4	3600	1800	1800
5	1800	1800	0

Machines			
Year	begin	depreciation	end
1	75000	7500	67500
2	67500	7500	60000
3	60000	7500	52500
4	52500	7500	45000
5	45000	7500	37500
6	37500	7500	30000
7	30000	7500	22500
8	22500	7500	15000
9	15000	7500	7500
10	7500	7500	0

Tangible	23750
Total	24250

Annexes 11 Tax depreciation for India under review

Commercial buildings			
Year	begin	depreciation	end
1	130000	13000	117000
2	117000	11700	105300
3	105300	10530	94770
4	94770	9477	85293
5	85293	8529	76764
6	76764	7676	69087
7	69087	6909	62179
8	62179	6218	55961
9	55961	5596	50365
10	50365	5036	45328
11	45328	4533	40795
12	40795	4080	36716
13	36716	3672	33044
14	33044	3304	29740
15	29740	2974	26766
16	26766	2677	24089
17	24089	2409	21680
18	21680	2168	19512
19	19512	1951	17561
20	17561	1756	15805

Industrial buildings			
Year	begin	depreciation	end
1	100000	10000	90000
2	90000	9000	81000
3	81000	8100	72900
4	72900	7290	65610
5	65610	6561	59049
6	59049	5905	53144
7	53144	5314	47830
8	47830	4783	43047
9	43047	4305	38742
10	38742	3874	34868
11	34868	3487	31381
12	31381	3138	28243
13	28243	2824	25419
14	25419	2542	22877
15	22877	2288	20589
16	20589	2059	18530
17	18530	1853	16677
18	16677	1668	15009
19	15009	1501	13509
20	13509	1351	12158

Machines			
Year	begin	depreciation	end
1	75000	11250	63750
2	63750	9563	54188
3	54188	8128	46059
4	46059	6909	39150
5	39150	5873	33278
6	33278	4992	28286
7	28286	4243	24043
8	24043	3606	20437
9	20437	3066	17371
10	17371	2606	14766

Motor cars			
Year	begin	depreciation	end
1	7800	1170	6630
2	6630	995	5636
3	5636	845	4790
4	4790	719	4072
5	4072	611	3461
6	3461	519	2942

Computers			
Year	begin	depreciation	end
1	3000	900	2100
2	2100	630	1470
3	1470	441	1029

Furniture and fixtures			
Year	begin	depreciation	end
1	9000	900	8100
2	8100	810	7290
3	7290	729	6561
4	6561	656	5905
5	5905	590	5314
6	5314	531	4783
7	4783	478	4305
8	4305	430	3874
9	3874	387	3487
10	3487	349	3138

Goodwill			
Year	begin	depreciation	end
1	5000	1250	3750
2	3750	938	2813
3	2813	703	2109
4	2109	527	1582
5	1582	396	1187
6	1187	297	890
7	890	222	667

Tangible	22659
Total	23362